Ketchup in the **EEC** budget works, Page 6

No. 29,997

Monday August 4 1986

D 8523 B

World news

Malaysian US wheat sale to premier poised for Moscow victory attacked

aysian Prime Minister Dr Maha-Nower in the country's general election, saying it would furting inn, but its Chinese partner, the ther depress world market prices.

Association Page 3 MCA), lost substantial ground to EMS: The D-Mark continued to

With 55 of the 177 parliamentary seats declared, the National Front, COTIA which groups 13 parties, has won 42 seats. The Chinese-based opposiion Democratic Action Party won 0 seats and three went to the indeendents. The fundamentalist Pary Islam failed to make the sizeable pains observers had predicted.

Dr Mahathir called the elections

full year shead of his five-year erm to seek a fresh mandate for ough measures to tackle the economic recession, and to counter a growing challenge from his former leputy Datuk Musa Hitam.

an and the Terror suspect held

off them in

Whaten well

West German police arrested Eva Haule-Frimpong, believed to be a leading member of the Red Army Fraction and suspected of involvement in the murder last month of Siemens executive Karl-Heinz Beckurts in Munich, Page 2

Emminger dies

Otmar Emminger, a former head of an expert on international currency, died in the Philippines aged 75. Page 2

Genscher criticised

Bavarian leader Franz-Josef Strauss called on West German Correign Minister Hans-Dietrich Genscher to give up his post at the next election, saying it was "time

Vircraft bomb alert

fter a passenger was detained on oard azi

ruit row stalemate

resh talks between the US and the EC aimed at resolving a trade dis-ute over citrus fruit ended in stale-

dissident's reunion

lormer Soviet dissident Anatoly hcharansky said his family had ermission to leave the Soviet nion and would join him in Israel ithin three weeks.

eace activists held

Trust" were held by police for an our after trying to stage a protest gainst nuclear energy in Gorky ark. Moscow.

ry cotton fields rought has hit two large cotton owing areas of the Soviet Central

sian republic of Turkmenistan, here river and canal water levels e half their usual level.

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The state of the s

the state of the state of

and I make liberian tanker hit he Liberian oil tanker Mercedes as damaged by a rocket fired from
I ranian helicopter near the
outh of the Gulf. The vesseladed for Dubai in the United Ar-

iudanese protest housands of students marched arough Khartoum demanding that udan break diplomatic relations ith Morocco over last month's Iks between King Hassan and Is-eli Prime Minister Shimon Peres.

ace car hits crowd woman was killed and nine other

ople were hurt when a race car w off the track and ploughed into ectators in Sydney, Australia.

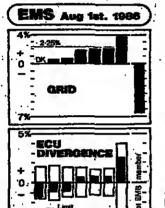
licro mountaineer

orel piloted the first microlight ane to land on top of Europe's ghest mountain, Mont Blanc, at ,776 ft (4,808m).

Business summary

The National Front coalition of Ma- AUSTRALIAN Wheat Board at tacked US decision to subsidise sale of up to 4m tonnes of wheat to the

> advance, gaining strength from good West German trade figures in Jone and the contrast hetween the disappointing US trade figures, encouraging the movement out of the



dollar and into the D-Mark. The last realignment of the system was only four months ago, but the D-Mark's rise against the other EMS currencies in recent weeks threatens to cause renewed strains, as the West German currency moves within sight of overtaking the French franc. The Danish krone remained the weakest-member last week, but

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from chartered sircraft bound for Can- may more more than 2% per cent. hamson apport, Dublin, Ireland, from a passenger was identified and searched at the looser chart gives each currenter against the European Currenter agains cy Unit (ECU), itself a basket of European currencies.

stayed within its agreed limits.

TOKYO share prices closed slightly lower on Saturday, falling 37.14 to 17,284.79, as the market continued its adjustment after recent steep rises.

MALAYSIAN politician Tan Koon Swan, man at the centre of the stock market crisis in Singapore and Malaysia, has agreed with three broking bouses to sell shares in two companies related to him. Page 19

FRENCH car production rose 5.6 per cent for the first half of 1986 to almost 1.5m and car exports increased 1.8 per cent.

we peace activists from New York and a member of the Soviet "Group dered price cuts to head off threefigure inflation and introduced tax

breaks to encourage exports. Page 3 US semiconductor manufacturers called on European electronics in-dustry to support US-Japanese sem-iconductor trade pact. Page 4

US BANKS Maryland National and American Security are to merge in a deal worth \$438m combining their

total assets to about \$12.9bn. PETROFINA, Belgian oil and energy group which owns Charterhouse Petroleum, British oil company Petroleum, British oil company, has reported a 8.4 per cent rise in net consolidated profits for the first

half of this year to BFr 9.46bn (5219m). Page 19 ALUMINIUM Company of Malaysia has attracted virtually no interest among minority shareholders in its 32.6m ringgit (\$12.4m) rights is-sue leaving Alcan of Canada the principal shareholder with almost

the entire issue. Page 19 COMPAGNIE GÉNÉRALE Maritime, French state shipping group, is taking over for a symbolic franc Chargeurs Reunis, lossmaking cargo and container ship subsidiary of the private Chargeurs transport and communications concern.

Singapore, Tarwan and Hong Kong.

The controversial third-country price monitoring system – aimed at preventing Japanese companies from dumping chips in the US through third countries – has already angered EEC officials, who have said they might take action wrder the General Agreement on week. Page 17 NATIONAL INTERGROUP, former US steel company diversifying into distribution, earned a tiny profit of \$1.5m in the first quarter of its fi-\$1.5m in the first quarter of its fi-nancial year on sales of \$1.1bn. Tariffs and Trade (Gatt). Further, Page 19 In addition to providing net price data on the representative product

Commonwealth bid to co-ordinate sanctions on SA

BY ROBERT MAUTHNER, MICHAEL HOLMAN AND PETER RIDDELL IN LONDON

COMMONWEALTH leaders meeting in London to discuss South Africa were last night considering the establishment of a committee to coordinate new measures against Pretoria with the European Communi-

ty, the US and Japan. President Kenneth Kaunda of Zambia, one of the main supporters of the proposal, said the committee's brief would be to seek the implementation of specific mea-sures agreed at the London summit of the leaders of Australia, the Bahamas, Britain, Canada, India, Zambia and Zimbabwe.

The Zambian leader, speaking at a meeting in London yesterday of the Diplomatic and Commonwealth Writers' Association before the summit formally opened, seemed resigned to the possibility that Britain would not endorse what he called a programme of action, and therefore would not be represented on the committee.

The proposal received a cool re-

sponse from Mrs Margaret Thatcher, the British Prime Minister. A British official said: "It is not for-mally tabled. I would not have thought there was any merit in it. Why should it be necessary? We have heard no case for it." The three countries most likely to

be represented on the committee, said Dr Kaunda, were Australia,

Canada and India, whose leaders have already committed themselves to additional measures against Pretoria, as have the leaders of Zimbabwe and the Bahamas. Such a procedure is seen as an at-

empt by Britain's partners in the Commonwealth to take into account Mrs Thatcher's view that any international measures against South Africa must be co-ordinated with the US, the EEC and Japan, if they are to be effective.

The opening three-hour session of the three-day summit yesterday afternoon, chaired by Sir Lynden Pindling, Prime Minister of the Bahamas, heard Mr Malcolm Fraser, the former Australian Prime Minister, and General Olusegun Obasanjo, the former Nigerian leader, review the visit to South Africa by the Commonwealth Eminent Persons Group, of which they were co-chairmen. The report of the group, estab-bished after the Commonwealth summit in Nassau last October, concluded that the Pretoria Government was not ready to start consti-tutional talks with black leaders.

behalf of the EEC.

"It was remarkable how the views of both coincided," said Sir

agreed, he said, that there was "no genuine intention on the part of the outh African Government to dismantle apartheid." A British official said later: "I am

not sure that Mrs Thatcher agrees with that at all," but said she did agree that adequate progress in South Africa had not been made

since the Nassau summit.
When the summit resumes this morning, the leaders will consider what new sanctions should be tak-

en against South Africa. Although leaders of the six countries already in favour of new measures do not rule out the possibility that Mrs Thatcher might concede the need for further action against Pretoria, at the beginning of the meeting there appeared to be insufficient common ground to allow a joint stand,

Dr Kaunda made clear that the new measures drawn up in Nassau for "consideration" in London were the minimum he expected. They include a ban on air links with South Africa and an end to imports of ag-The meeting also heard a report ricultural products from the repu-from Sir Geoffrey Howe, the British hlic, two moves Mrs Thatcher is Foreign Secretary, who has visited known to oppose. There is no way southern Africa twice recently on we can go below Nassau," seid Dr

South Africa's not-so-pampered whites, Page 15

Dublin devalues by 8%

uon in the so-called "green pound"

affecting EEC farm prices. The Irish "green pound" was devalued in April and another adjustment would be worth up to IE90m to Irish farmers in an otherwise pour and another wise pour to Irish farmers in an otherwise pour to Irish farmer to Iris farmers in an otherwise poor year main unchanged from the levels set in the last realignment in April.

for agriculture.
Mr John Bruton, the Minister of

disadvantage pricewise in trying to

exports go to Britain and about 10 The devaluation, which came at per cent to the US. That trade was the start of an Irish bank boliday weekend, was the ninth realignment in the EMS since 1979 and the 51.41 at close of business last Friday, compared with about 87 pence It was arranged in a series of teleand \$1.30 in April. A year ago, the phone calls late on Friday and early punt stood at less than 80 pence. To- on Saturday between Dublin, Eurotal exports amount to just under pean community headquarters in £10bn. Brussels and the capitals of the oth-It was not immediately clear if er seven EMS members.

Mr John Bruton, the Minister of Despite pressure in Ireland then Finance, called the recent levels ar- for a devaluation, the Fine Gael -

Japan yields to US demands

on microchip price monitoring

Historically, price monitoring systems have primarily collected

gross price data or invoice prices.

nese companies will have to inclu

In providing net price data, Japa-

But it was forced to act as the rise push up interest rates and compromise jobs in the export sector.

The devaluation, the second for the punt within the EMS, was wel-comed by the Confederation of Irish Industry and by the opposition Fi-anna Fail party. But Mr Michael O'Kennedy, Fianna Fail spokesman on the economy, said it did not solve the structural problem caused by the Irish currency's close links to sterling, a non-EMS currency.

Mr Bruton said the devaluation would add about 0.5 per cent to inflation this year, bringing the annual rate above the 3 per cent level previously forecast.

Background, Page 2; Currencies,

types in each category, Japan has agreed to provide gross price data

on all other products in each catego-

ry. The product categories cover memory chips for computers, mic-

roprocessors, microcontrollers, and custom-designed chips.

The side agreement between the

two countries on increased market

access for US companies in Japan is

less worrisome to Japanese indus-

try executives. This agreement

states that Japan "recognises the US semiconductor industry's expec-

tation that semiconductor sales in

Japan of foreign companies will

grow to slightly above 20 per cent."

that this clause is not legally bind-

ing. As a result, most are sceptical about whether it will be achieved.

This side agreement between the

two countries also allows for the ex-

pansion of its list of third country

Reaction to chips deal; Cloud over Gatt talks, Page 4; Editorial comment, Page 14

However, industry officials say

in move to aid exports

BY HUGH CARNEGY IN DUBLIN

More than 30 per cept of Ireland's sell their goods.*

exports go to Britain and about 10 The devaluation, which came at under threat from a rapid appreciation of the punt to 95 pence and

BY CARLA RAPOPORT IN TOKYO

last week's US-Japan accord on semiconductor trade, Japanese companies will be obliged to report net price data for nearly 90 per cent of the chips they produce and sell in designated foreign countries.

THE US Government intends to pan doubt whether the system is monitor the pricing practices of appanese semiconductor operations in 16 countries worldwide, including that Japan will submit net price dasix European countries and most of Asia.

Asserting to a cida government of which will be monitored by the price of the system of the system is pan doubt whether the system is pan do

Asia. types' within the product categories
According to a side agreement of which will be monitored.

designated foreign countries.

This side agreement lists these countries as Britain, France, West countries as Britain, France, West Germany, Sweden, Italy, Ireland, national Trade and Industry (Miti).

Germany, Sweden, Italy, Ireland, Canada, Brazil, China, Malaysia, Mexico, Philippines, South Korea, Singapore, Taiwan and Hong Kong.

The Countries to the Ministry for International Trade and Industry (Miti). Miti, in turn, will pess it on to the US.

One of Japan's leading chip mak-

THE PUNT was devalued by 8 per tificial. "Irish companies exporting Labour Government resisted a cent within the European Monetary to the US and Britain or other parts change in the punt in April, hoping System at the weekend in a move of the dollar area were very sudden- to gain an advantage. In inflation sought by the Irist Government to by, very unexpectedly - and in a terms because of cheaper imports ease pressure on its exporters way that had not been planned by from the strengthening position of caused by the slide in sterling and our Government or by them - at a its currency.

against sterling and the dollar con-tinued unchecked, threatening to

'Flexible' Hopes rise at **Thatcher** Opec over aims to lower quota cuts temperature By Our Political Editor in London

BY RICHARD JOHNS IN GENEVA

Thursday.

end agreed,

to 18m-18.5m b/d.

It was still uncertain last night,

meeting following further consulta-

ments would prove, given the suspi-

cluded some by Dr Subroto, the

chief Indonesian delegate.

MRS MARGARET Thatcher, the British Prime Minister, yesterday made it clear to other Common wealth leaders at the London sum-mit that she approached the South African issue with a flexible frame ed from pouring into a saturated of mind" while reiterating her opposition to general economic sancday (b/d) said to have been obtained from nine members last

A British official last night stressed that her stance was aimed at lowering the temperature in the bope of reaching agreement. He believed that the other Common wealth leaders appreciated her po-

After the first formal session and a series of hilateral meetings between Mrs Thatcher and the other Commonwealth leaders, the British official claimed that the other participants were not seriously pressing for general economic sanctions knowing the Prime Minister's opposition to them.

Mrs Thatcher made clear in the meetings with the other leaders that general sanctions had never worked in the past and could dam-age any hope of achieving progress in South Africa by peaceful means. Last night, British officials declined to rule out any alternative options for limited measures to be dis cussed today and tomorrow.

The British side also believes there is now a general recognition by the Commonwealth of the need for co-ordination with countries out side the Commonwealth. This refers specifically to the EEC, whose initiative does not run out until the end of September and the seven nations represented at the world economic summit, especially the US and Japan.

Moreover, the Prime Minister ap-parently feels that other Common wealth countries recognise that apart from Britain with its large continuing commercial links with South Africa, other countries are not in a strong position to take general measures as opposed to ges-

British officials also stressed last night that at the pre-conference wealth, or of retaliation against Britain. At the first session of the confer-

ence, Sir Geoffrey Howe, the British Foreign Secretary, reported in detail on his two visits to southern Africa. His conclusion was that outside countries must go on pressing

the Pretoria Government.

Sir Geoffrey said his experience in South Africa has re-inforced his view that comprehensive sanctions would not induce the South African Government to move under foreign

DELEGATES at the Organisation of Petroleum Exporting Countries talks in Geneva claimed yesterday that additional pledges had raised the volume which might be prevented the property of the council of Ministers, chaired by King Fahd, the Saudi Government issued a stateters, chaired by King Fahd, the Saudi Government issued a statemarket from the 1.925m barrels a ment yesterday saying that it could not reduce its production below a

opment. Such a reduction could appreciably stabilise a market depressed At the same time it has no objections to any country producing as much as it needs," a Saudi official

level necessary for its ecocomic de-

by an Opec rate of more than 20m b/d sustained last month, and stop The implication was that Saudi the slide in prices notwithstanding Arabia was prepared to continue the "price war" unless it was satisfian enormous overhang of supply, industry executives and analysts ed by the extent and validity of uncontacted in Geneva at the weekdertakings regarding output res traint by other members. Certainly The Opec delegates seek an it was directed at this conference agreement on voluntary output cuts which enters its eighth day today.

There was still some confusion yesterday as to how far Saudi Araas ministers prepared for another bia was prepared to lower output.

After the Saturday night ministetions, how binding any commitrial session, some delegates had the impression that the Saudis would cions and differences among the 13 settle for no less than 5m b/d, but the belief was that they might be members. The consultations bad inprepared to go down to 4.5m-4.6m b/d if satisfied by promises of other

The general understanding is that pledges will be valid only from Earlier last week. Sheikh Ahmed Zaki Yamani, the Saudi Oil Ministhe beginning of September be-Continued on Page 16 cause of orders by customers for and gas exploration survey, Page 9–13; Lex, Page 16 As ever, the position of Saudi

Westinghouse plans link with Plessey

BY DAVID THOMAS IN LONDON

venture with Westinghouse of the inquiry into GEC's hid this week. US in an attempt to provide a new early warning radar system to the Royal Air Force. The joint venture is one of two US deals which Plessey hopes will give it a stronger platform for resisting the takeover meeting there was no mention of proposal by the General Electric of the work on the airborne radar if Company (GEC).

Plessey is also likely to announce this week that Stromberg-Carlson, its US telecommunications equipment subsidiary, has won another trial digital switch order from one of the seven regional Bell holding companies.
Plessey says that both these deci-

sions show it is strong enough to compete in world markets without

Trade and Industry Secretary, will announce his response to the Mon-

PLESSEY is set to announce a joint opolies and Mergers Commission

The Department of Trade and In-

dustry refused to comment on these reports at the weekend. Plessey will announce tomorrow that Westinghouse will give it some system, on which Westingbouse is a

principal sub-contractor, is successful in winning the RAF contract. The Ministry of Defence is evaluating several bids, including that from Boeing with its Awacs system, which it invited after becoming dissatisfied with the rate of progress by GEC on the Nimrod early warn-

ing system. being taken over by GEC.

It is stressing them as reports suggest that Mr Paul Channon, UK

Besides evaluating the alternative bids, the MoD has also given GEC until September to demoo-

strate improvements to Nimrod. Continued on Page 16

CHANGE OF NAME

TITH effect from today Helbert Wagg & Co., Anderson Bryce Villiers Limited and H. W. — Schroder Securities International Limited are becoming one company named Schroder Securities Limited.

At the same time Schroder Securities (UK) Limited will change its name to Schroder Securities International Limited.

CHANGE OF ADDRESS

Schroder Securities Limited and Schroder Securities International Limited have moved to: 120 CHEAPSIDE LONDON ECZY 6DS

> TELEPHONE: 01-382 3000 TELEX: 8812281 FAX: 01-382 3078 (Schroler Sections Limited)

FAX: 01-382 3079 (Schnoler Securities International Limited)

ASSOCIATE COMPANIES Schroder Securities Schroder Securities (Japan) Ltd. 26th Floor, Two Euchange Square, 17th Fl., 12-32 Akasaka 1-chome.

8, Connaught Place, Hong Kong., Minato-ku, Tokyo 107,

Tel: 5-211660, Telex: HX 85339, Tel: (03) 587 6800, Telex: J 33509,

器 Schroders

CONTENTS Britain 5, 6

Gatt: prospects clouded by US: the \$100bn-a-day bond unfinished business 4 market 14 EEC budget: ketchup in the S. Africa: not-so-pampered works 6 whites 15 Management: the guru of Lex: oil prices and oil lateral thinking 6 companies 16 Editorial comment: Gatt; UK Oil and gas exploration: politics 14 Survey 9–13

Paris cancels concessions for two TV channels

THE FRENCH conservative government bas cancelled the operating concessions granted by the former socialist administration to operate France's two private commercial television

networks.
The move, announced et the The move, announced et the weekend, had long been expected and forms part of the sweeping reform of French broadcasting now being launched by the right. New broadcasting legislation, which will privatise the country's oldest and largest state television network TF-1 and lead to the creation of a new broadcasting and communications regulatory commission, is doe to complate its passage through

regulatory commission, is doe to complate its passage through parliament this week.

Mr Jacques Chirac, the Prima Minister, had warned last month that the decision to cancel the concessions for the so-called fifth channel known as "Ia 5" and for the sixth channel known as "TV6" would be taken soon.

The right had pledged to cancel the concessions during this year's parliamentary election campaign after President Francois Mitterrand took the

Francois Mitterrand took the controversial decision to grant controversal decision to grant the concession to operate the fifth channel to a partnership between Mr Jerome Seyoux, chairman of the Chargeurs transport and communications group, and Mr Silvio Berlus-coni, the Italian television

The fifth channel came on the air last February. After a shaky start, the network, which specialises in American soap nperas and television games, has started to see its audience

Mr Christophe Riboud, one of the main shareholders in the of the main shareholders in the private network together with Mr Seydoux and Mr Berlusconi, warned that the owners of the private network will take the issue to the Couseil d'Etat, the leading French judicial body, to appeal against the government decision and seek compensation.

The sixth channel first came on the air also at the end of last February. It specialises in music and video clips of pop stars and is operated by a group led by Gaumont, the French film production company, a private radio station and two

Both channels are expected to stay on the air for the next few months until the new broad-casting and communications regulatory commission is set up. Anticipating tha govern-ment's move to cancel the con-cessions, Mr Seydoux is understood to have been discussing with new partners, including the French Havas edvertising and communications group and the Luxembourg-based CLT broadcasting group, to form a new partnership to operate tha fifth channel.

Yeutter mission fails to resolve pasta dispute

BY TIM DICKSON IN BRUSSELS

back to Washington yesterday apparently no nearer a settle-ment of the so-called Trans-Last June the US reta atlautic "pasta war."

atlantic "pasta war."

Talks with Mr Willy de Clercq, the EEC External Relations and Trade Commissioner, which began in Brussels on Saturday, broke up after breakfast with the two side "about the same distance apart as they were at the beginning," according to one US official.

The cootlnued impasse is e particular blow for the Americans, who are eager for a quick settlement and have resisted the

MR CLAYTON YEUTTER, the the network of Community US Trade Representative, flew trade agreements with Mediterranean countries (exporters Last June the US retaliated by

significantly raising duties on EEC pasta imports (mostly originating in Italy). The EEC in turn responded by increasing levice on US wal-

nuts and fresh lemons. The row has been further complicated by US insistence that final agreement on a separate semi-steels dispute be made conditional on the successful outcome of the pasta prob-

settlement and have resisted the EEC's earlier suggestion of a four-month truce.

The starting point in the dispute was the US belief thet its

Am de Clercq reported back yesterday to EEC displomats in Brussels. Mr Yeutter is due to consult the Economic Policy pute was the US belief thet its exports of citrus fruits to telephone discussions between Europe were being damage by the two men are likely today

OBITUARY

Dr Otmar Emminger

DR OTMAR EMMINGER, former president of the West be was, as a director of the German Bundesbank and one of the most influential figures on the international monetary Bundesbank), closely involved scene in the turbulent 1960s and 1970s, has died at the age of 75 in Manila, a spokesman for the Central Bank in Frankfurt announced vesterday.

furt announced yesterday. Dr Emminger, who headed one of the most powerful and independent of the world's central banks between 1977 and 1979, was in the Philippines acting as a financial advisor for Acting as a mancial advisor for of 10 " of 10" of 10 o

After a six-year spell as an executive director of the IMF in Washington, be served as Vice-President of the EEC's key monetary committee between 1958 and 1977, combin-ing that job with stints first as chairman of the IMF's "group of 10" deputies, and then at the head of the powerful Working Party Three of the OECD

His reward — the leadership of the central bank where be

US 'dropped arms talks plan' after protest

By Reginald Date in Washington PRESIDENT Ronald Reagan dropped a propesal to involve the UK and France in future arms control talks with the Soviet Union after a "strong protest " from Mrs.
Margaret Thatcher, the British Prime Minister, the
Washington Post reported

Washington Post reported yesterday.

Mr Reagan planned to inclinde the idea in the letter that he sent to Mr Mikhail Gorbachev, the Soviet leader, on July 25, the newspaper said. Mrs Thatcher, however, told Mr Paul Nitze, Mr Reagan's senior arms control adviser, that the proposal did not conform with the UK Government's conditions for entering negotiations on the British nuclear deterrent.

The UK position has been that it would consider joining strategic arms control negotiations only if the US and the Soviet Union had already reduced their arsenals as redically that the wales. so radically that the relatively small British deterrent became an important element in the strategic balance.

Mr Reagan's original pro-posal, said the Post, was to involve the UK and France in multilateral discussions with Washington and Moscow on reducing strategic weapons on reducing strategic weapons below the 50 per cent cut that Mr Reagan and Mr Gorbachev agreed in principle at last November's US-Soviet summit in Geneva. Mr Nitze briefed Mrs Thatcher on the plan during a visit to London last month, Alea decommend from the Sna! Also dropped from the final text was a suggestion that the US would reduce the fre-quency of its nuclear weapons detects in parallel with the proposed reductions in strategic weapons, the news-paper said. Instead, Mr Reagan reverted to the stan-

dard US position that a com-plete nuclear test ban can be an "nitimate goal" only when nuclear weapons have been eliminated.

The most striking point of the two and a half page letter, which has not been mede public, was Mr Reagan's willingpess to get down to specifies in bargaining over his strategic defence initiative (Star Wars), according

to the Post. Mr Reagan reportedly told Mr Reagan reportedly told Mr Gorbachev that the US US would continue for the next five years to research, test and develop wannons under the strategic defence programme, as permitted by the 1972 Anti-Ballistic Missile treaty. If the new technologies were shown to be feasible by 1991, the US and feasible by 1991, the US and the Soviet Union should then discuss a transition to a period of superpower reli-ance on defensive rather than offensive weapons.

Death threat to hostages

The secretive Islamic Jihad. Organisation denied sonding letters to anyone through Mr. Lawrence Jence, the US hos-tage father released one week ago and threatened to kill the American captives if its de-mands were not met, Nora Boustany reports from

The latest communique, published by the leading An Nahar daily yesterday, was accompanied by a black and white photograph of Mr David Jacobsen, the director of the American University hospital, kidnapped in West Belrut



Commonwealth heads of government at Mariberough House yesterday. Back row, left to right: Mr Bajlv Gaudhi, Prime Minister of India; Mr Brian Mulroney, Prime Minister of Cauada; Sir Shridath Ramphal, Commonwealth Secretary General; Mr Robert Hawke, Prime Minister of Australia and

Mr Robert Kngabe, Prime Minister of Zimbabwe. Front row: Mrs Margaret Thatcher, British Prime Minister; Sir Lynden Pindling, Prime Minister of the Bahamas and Dr Kenneth Kaunda, Prime Minister of Zambia.

US unions face crucial challenge

AMERICAN trade unionism, hattered and bruised by years of stagnation in US basic in-dustry, is facing a crucial chaldispute that has broken out at USX, the former US Steel. If the battle is lost, the United Steelworkers' Union (USW) will not only have to retreat on wages and conditions in the industry. It will also have to accept a further fragmentation in the united front of its membership — the formidable "solldarity" that has given it much of its etrength in the post-

On the face of it, the odds are stacked against the USW. Its contestant is the biggest and financially the strongest of the leading US steel companies, and because of its large energy divi-sion it has the ability to with-stand a long strike. It also has a most determined and intraneigent management.

The company threw down the gauntlet to the union a short while ago when it renamed itself USX and set up steel as a self-standing unit. Steel, it implied, was no longer central to the group (it now accounts for just 30 per cent of sales), and if the union did not behave the steel

business would be simply cut ride back or hived off.

"It is as though the steel workers bad marched to the union edge of the precipice, joined steel edge of the precipice, joined hands, and jumped off together," said one analyst last week.

Yet there is some logic in the union saw the hand the USW's brinkmanship. This lies in its own strategy for tha steel industry and its feeling wage negotiations rather than that to give way to USX in the the established system of current negotiations would undermine the unity of the union. The key to this approach is the union's view that steelmaking in the US can be reconstructed rationally—but only if

vented from ratchetting down thereby push other companies wages to creete competitive adout of the business, achieving vantages which will set workers the capacity reductions by against each other and force which the union wants to

against each other and force which the union wants to eventually destroy capacity elsewhere.

What the union wants is a concerted, industry-wide recorganisation that does not place most of the burden of change on the shop floor worker. Banks and shareholders and the Government should also make thair contribution to rationalisation, says the USW—the financiers by funding the reconstruction, and the Governments like Wheeling to greatly agreement.

The USW has countered the other companies this year. The companies this pear. The companies this pear. The companies this pear to other companies this pear. The companies this pear to other companies this pear. The companies this pear to other companies this pear. The companies this pear to other companies this pear. The union believes the pear to mean concertainty pears and profit sharing in return for mean concertainty pears and profit sharing in return for mean concertainty pears and profit sharing in return for

Terry Dodsworth analyses the bitter dispute at USX

while the reorganisation goes

While the approach implies aome run-down in cepacity, it seeks to avoid the wholesale redundancies that are forecast if market forces continue to roughshod over the industry

This strategy was threatened, union analysts argue, by the steel companies abandonment

structed rationally—but only if its wages lower than the rest likely to press companies like USX are pre- of the industry. It could of wage cuts.

ment by adbandoning its laissez Pittsburg where the reductions faire attitude, getting involved were the guid pro ano for keep-in the industry, and bringing in ing the company in business more protection from imports and capacity in operation.

> In the negotiations at USX. in the negotiations at USX, this strategy was threatening to fall apart. Although details of the bargaining have been kept officially secret by both sides, the company was apparently seeking cuts in wages and benefits of around \$3.30 an hour, a demand that would have pushed its wages well heldw the level of the rest of the industry. Estimates suggest that its labour costs would have dropped to a maximum of \$22 an hour, against around \$22.50 \$22.20 at National.

> USX's resolve to through these reductions seems to have been stiffened by the bankruptcy filing three weeks ago of LTV, the second biggest US producer, which is now likely to press for a new round

ment has set itself firmly against compromise in two areas where the USW has won areas where the USW has won significant victories with the other companies this year. The company refused to offer stock and profit sharing in return for wage concessions and it wasters.

ha betraying workers in other steel companies if it allowed steel companies if it allowed USX to get away with a deal that did not concede on these two points. "Why should we reward a company which is not in dire straits and which is opposed to us?" asks Mr Michael Locker, an independent adviser to the USW,

But can the USW,

But can the USW win this dispute? While no-one on the union side minimises the strength of the company's position, the USW does have some cards in its hand. It has \$200m in its strike kitty, and the theoretical shility to keep its USX members out on strike for up to 18 months, It also reckons that USX will be losing around \$30m a day during the dispute. \$3m a day during the dispute, at a time when it will not be flush with cash—oil at \$10 a barrel means "USX" is much weaker than it was nine months

Finally. USX management could et some stage come under pressure from shareholders. When Mr David Roderick, the present chairman, took over the company in 1979, the share price was hovering between \$17 and \$24. Last Friday, it was bumping along at \$15]—and that is after spending billions of dollars equiring its tree bla of dollars acquiring its two big energy companies, Marathon and Texas Oil and Gas,

Leading W. German terrorist captured

WEST GERMAN police have captured the 32-year-old Ms Eve Sybille Haule-Frimpong, be-lieved to be a leading member of the Red Army Fraction (RAF), in what could be a major breakthrough against resurgent left wing terrorism

Haule-Frimpong arrested, along with two other suspected terrorist accomplices, at an ice cream bar in Ruessels-beim near Frankfurt on Satur-day afternoon, according to a police spokesman she was in possession of a stolen high-calbire pistol and 80 rounds of ammunition, and of German and Belgian identity cards issued under different names.

The West German anthorities have been seeking Ms Raule-Frimpong for more than two years in connection with various years in connection with various terrorist attacks here, including an attempted bombing of a Nato training centre at Oberammer-gau in Bavaria in December 1984.

But the search took on new urgency after the assassination near Munich three weeks ago of Mr Karl Heinz Beckurts, the senior Siemens executive, and his driver, for which the RAF have claimed responsibility.

Her capture may well be a direct result of the record DM 3m (£968,000) reward offered last week by private sources—almost certainly from West German industry—for ignormation leading to the capture Mr Beckurt's killers, Mr Friedrich Zimmermann the Interior Minister, said last night that the "decisive tip-off" came from the general public, although he gave no further details.

The weekend breakthrough follows renewed alarm bere that a terrorist "autumn offen-" could be in the offing.

Prem set to head coalition

GENERAL Prem Tinsulanonda is expected to be reappointed as Prime Minister of Thailand today shortly after the King re-opens parliament, as four parties continue to negotiate the formation of a new coalition

General Prem did not stand in the general election eight days ago. Six of the 15 parties elected have officially notified the president of the appointed senate that they support General Prem, who has replied that he would be bappy to accept

The new coalition is expected to consist of four of those six parties. It will be dominated by the moderate Democrats, who won 100 of the 347 seats. They will be joined by the national-istic Chat Thai Party (63 seats), which was the opposition before the election, the Foreign Mini-ster's Social Action Party (51 seats) and the Rassadorn Party (18 seats), which has close ties with pro-Prem factions in tha military.

These four bold 232 seats, almost exactly two-thirds of the new Lower House.

Spain protests at Norway ban

By Fay Gjester in Oslo

SPAIN SEEMS set to spear-bead an EEC dispute with Norway about the latter's right to regulata fishing in a "pre-tection zone" around the Sval-herd (Spitsbergen) archipelago. Trawlers belonging to several other Community countries left the area last week, after Norway announced that the "third nations" catch quota of 18,500 tonnes of cod bad been ex-bausted, and that fishing by

these countries must stop (Norway and the Soviet Union, have separate quotas). Ten Spanish trawlers working off the islend group, suspended fishing, but have remained on site.

Spain has sent e note to Oslo challenging the Norwegian ban, which it alleges is "discriminatory," and warning that it plans to appeal to the International Court of Justice at the Hague, posing the way in which against the way in which Norway regulates fishing in

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Seven die in Jamaican political violence

BY CANUTE JAMES IN KINGSTON

brothers were shot dead by a ing the counting of the votes gang. Earlier a woman was which showed the Social Demo-

AN ATTEMPT to bring an end to several years of sporadic of being a supporter of the political violence in Jamaica appeared in jeopardy yesterday. Party which won Tuesday's Armed policemen and soldiers patrolled tense sections of Kingston, the capital, and neighbouring Spanish town following violent outbreaks which have left seveo people dead since local government elections last Tuesday.

In the latest incident two brothers were shot dead by a ing the counting of the votes winth the rest going appear to be worried that they give no Manley, e former Prime patronage to political thugs the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried that the votes with the rest going appear to be worried to the conservative Jamaica current unrest will get out of Labour Party, led by Mr Edward Scaga, the Prime Minister.

The outbreaks of violence to the country, In an appeal for une to the violence Mr Seaga and Mr Seaga an

Scaga, the Prime Minister.

The outbreaks of violence followed a relatively calm campaign by the parties, Just after Scaga said: "To those who may the date for the elections was announced Mr Scaga and Mr rest I would remind them that Manley issued a joint public appeal for political calm. The tate to take steps necessary to political parties have said re-

AN OFFICIAL facade of stub-Rupert Cornwell on West Germany's anxiety over

AN OFFICIAL facade of stub-born indifference is failing to mask West German anxiety about the US's increasingly pressing demands on Bonn for speedy action — above all through a cut in interest rates —to boost domestic growth and reduce foreign surpluses.

could move lower still.

production in June, to a level 4 per cent bigher than in the same month of 1985. They also maintain that Ger-

They also maintain that German imports in volume terms are now, at 7.5 per cent, growing more than three times as fast as exports, and that this treod will show up in a reduced trade eurolus once the initial perverse effects of the mark's recent translation. mark's recent revaluation have worn off.

inflation. But that argument was somewhat dented this weekend by provisional figures showing that the retail price index was 0.5 per cent lower in July than 12 months earlier

retirement seven years ago. Dr Emminger was born into decades — came surprisingly a Catholic family in Bevaria late. **Dublin heeds industry's** cry on competitiveness

"THE NEED to restore competitivenee has never been more urgent," warned the Confederation of Irish Industry (CII) last Wednesday in its comment on latest trends abowing declining order books and weakening exports throughout the first six months of the year. It was the latest in a series of increasingly worried statements by the CII that blithe optimism over the effects for optimism over the effects for Ireland'e sickly economy of fall-ing oil prices masked an alarmwas making Irish goods increasingly expensive in its main export markets and that in turn threatened thousands of jobs at

There must have been a sigb of relief emong many of the confederation's members nn Saturday afternoon when it was announced that the Fine Gael-Labour Government bad responded to their "urgent needs" by winning 1.1 g per sterling a year ago, climbed cent devaluation of the Irish towards the 90p mark, there was punt within the European a speculative rusb on the punt

Monetary System.

The move neatly illustrates the peculiar currency bind that the peculiar currency bind that in since it broke its previous link with sterling and joined the EMS in 1979. The problems will be eased by the weekend develuation, but not solved.

Although Irish Ministers which drove prime interest punt had appreciated against the dollar and sterling to artificial rates that could not emphatically committed to the accommodated without loss of jobs. In a country where realignment, which eventually nnemployment is at more than in Ireland that sterling has not possible in a good number of and e good number of individuals who shop in On Friday evening and cluring a radio interview yesterthe dollar and sterling to artificial rates that could not emphatically committed to the be accommodated without loss of jobs. In a country where in Ireland that sterling has not possible that is as good a reason as any by the fear that if it does a weak level which builds in a disadvantage for the punt.

Hugh Carnegy on the background to the devaluation of the punt

ship in inflation terms and in forging stronger economic links to continental Europe, the punt remains vulnerable to the moveing reality: that the falling ment of sterling because of value of sterling and the dollar Ireland's heavy trading links with Britain.

This link is declining in relative terms, with exports to Britain accounting for some 33 per cent of Irisb exports now, compered to more than 40 nor compered to more than 40 per cent in 1981. However, it is still strong enough for the punt market to react sharply to sterling.

Earlier this year, as the Irish currency, which stood at 78p towards the 90p mark, there was a speculative rusb on the punt of Finance, said yesterday the which drove prime interest rates over 15 per cent. The batting in the Dublia money markets was that the punt would be accommodated without loss be devalued in an expected EMS realignment, which eventually realignment, which eventually remained to the server of jobs. In a country where was the exasperation of many realignment, which eventually namployment is at more than in Ireland that sterling has not loined made more agute now towards the 90p mark, there was a speculative rusb on the punt of Finance, said yesterday the

while they thought it was cheap.

In the event, the Irish Govern-In the event, the Irish Government, keen to gain the maximum inflation benefits from improving international conditions, beld the punt steedy against the European Currency Unit as the French devalued by 3 per cent, the West Germans revalued by the same margin and Belgium, Luxembourg and Denmark revalued by 1 per Denmark revalued by 1 per

However, the Government's calculations have been confounded by the further weaken ing of sterling. in addition, the Irish currency's position against serious factor as 10 per cent of Irish exports go to the US. By close of business last Friday, the punt was worth 95p and \$1.41.

Although interest rates at

home had fallen after the April

EMS realignment to below 10 per cent, the pressure was once again shifting upwards.



telephone calls between Dublin. Brussels and other Community capitals secured the devaluation, the fourth time in six years that a single-currency change has occurred in the EMS.

Mr Bruton accepted that the move would add to inflation by about 0,5 per cent this year and leave the annual rata in 1987 at between 4 and 4.5 per cent-a considerable disappointment for a Government which at one stage was talking of less than half that. But interest rates should ease.

Bonn shows concern at US push on interest rates

Demands from Washington that Boun do more to stimulate that both oo more to sumulate its disappointingly sluggish being popularly referred to hare economy are in themselves as the "dollar war." West Gernothing new. Over the past 12 many feels it is being told in months they have been invariebly repulsed. West Gerterst rates or see the dollar many countered them with redecline further. The latest shot minders of what happened be was the remark by Mr George fore — in 1978 and 1979 — Shultz, the US Secretary of when it assumed the unwelcome State, that the US currency role of "locomotive," and argu-

demands for action

when it assumed the unwelcome role of "locomotive," and arguments that it was up to the US
ments that it was up to the US
or reduce its own trade end, at DM 2.08, its lowest level since early 1982. Exchange dealers
These arguments were weekend by Mr Otto Schlecht.

State Secretary at the Economics Ministry in Bono. In the line of both the OECD and the line of both the OECD and the line management Bonn had no intermational Monetary Fund, ha said West Germany was a "model pupil" of economic management Bonn had no intermation of being hullied into the management Bonn had no intermation of being hullied into the management Bonn had no intermation of being hullied into the cut in the discount rate from plistakes of eight years ego, when extra expansionary measures led not to extra growth but merely to a surge in infation.

West German officials insist that the economy is, after a faiton.

His words, bowever, do nothing to still a conflict now 1986, an assertion supported by measures to the pressure on the Bundesbank to act may become too strong to resist.

Furthermore, they add, any relaxation of monetary policy could generate an increase in

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Gern Australia attacks rorist US wheat sale stured to Soviet Union

pressing enect on work in the prices.

Clearly the US still believes expected to the port subsidies are the way to solve of the port subsidies are the way to solve of the price of the problems, somewhat Prankfung thing with which the AWB and the problem accompation of the world strongly disagree, Mr in uf it is not the world strongly disagree, Mr in uf it is not the world strongly disagree, Mr in uf it is not the world strongly disagree, in t

in of a solution Condon, the AWB chairin of a solution Condon, the AWB chairin and of the Melbourne.

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The remarks, however, were
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(DM bn) Exports

TRADE STATISTICS

June '86 19.070

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Contracts & Tenders

PEOPLES DEMOCRATIC REPUBLIC

OF YEMEN

IMVITATION FOR TENDER

in any of 1984 to the People's Democratic Republic of Yomen (PDRY) hereby invites Contractors to submit sessed tendors for the construction of the Wash-Beihan Road Project. The road is 127 km long with 0.0 m wide, surface treated carriageway, mainly in first desort terrain. The project is divided into two contracts; Contract 1, 51 km and Contract 2, 35 km lone.

Corrugated steel of RG culverts

Surface Irealment

The project slee includes protection works and road furniture.

The Government of PDIY has received loans from the Arab Fund and OPEC Fund and a credit from 10A. Fart of the proceeds of the Arab Fund and OPEC Found leans will be applied towards financing at Contract I. which will be awarded in accordance with the Arab Fund guidelies lor procurement, while parts of the proceeds of the 10A credit will be applied toward floaceing of centract 2, which will be awarded in accordance with World Benk's guidelines for procurement under ISRO loans and IDA credits.

Tender documents will be available and can be obtained from Kampset Intronsitione A/S, 12, H.C. Andersces Boolevard, 0K 1563 Cepenhagen V. Denmark of from the Planning Uelt, Ministry of Construction and Housing, Aden, from September T, 1966 sgalest payment by chaque or bank draft of US\$300 or YO 100 per set of tender documents, non-refundable. The Tander documents include a qualification quasilennaire.

Each Tender must be accomposed by a bid security, issued through the National Bank of Yomon. In the amount of YO 10000 or an acquivalent to The Secretary

Central Tender Board

National Bank of convertible currency and must be delivered to the Secretary Central Tender Board

The Secretary Central Tender Board

The Treasury, Creter, Aden
People's Democratic Republic of Yemen
on at before November 1, 1980, 12 of check neon at which time the tenders will be epened in the presence of those tenderers or their representatives who wish to attend.

A loint site visit will be arranged at a date to be announced and tenderers are, in accordance with the stipulations of the Conditions of Tender, requested to coeffirm their intention to participate to:

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U.S.\$250,000,800.

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March '86

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The Interest Period beglaning on 15th April, 1985, will run to 18th August, 1986, a period of 125 days, and not to 15th August, 1988, a period of 122 days, se previously published. The flats of Interest will ramen 7- per cent per sonum. The Interest Amount payable on the Interest Amount payable on the Interest Payment Date, 13 August, 1985, will therefore be USS 184.90 for each Note of USS 50.000 and not USS 503.45 as previously published.

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May '85

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The 12 years of wheat to the Soviet wheat wheat bound to have a further decrease of the subsidise the sale of up to the subsidies the sale of up to the subsidise the sale of up to the subsidies the sale of up to the subsidise the sale of up to the subsidies the sale of up to the subsidise the sale of up to the subsidies the sale of up to the subsid Washington and other wheat exporters - particularly Australia, Cana da and Argentina.

Australia shipped 5.31m tonnes of wheat worth A\$953m (\$570m) to the Soviet Union and China in the 11 months to the end of May,

Meanwhile in Washington, Mu Robert Dole, the Senate majority leader, made clear that be would continue to press for a further expansion of export subsidies.

Mr Dole, who has been campaig ing for an extension of the EEP to boost sagging US farm experts, plans to meet Mr Richard Lyng, Agriculture Secretary, today to urge him to subsidise the sale of maize soyabeans and feed grains as well

World Economic Indicators April '86 17.965 June '85 18.012 SHIPPING REPORT 30.036 - 12.071 6.496 6.665 -0.169 14.44 9.42 +5.02 76.07 75.07 +1.00 6.038 6.303 -0.265 17.76 10.93 Oil worries

fail to curb tanker trade

Financial Times Reporter

brisk amid uncertainties over deliberations at the Geneva meeting of the Organisation of Petroleum Exporting Countries (Opec) over oll output and voluntary curbs on production.

"There are suggestions," said Galbraith's "that most OPEC members will, after their present meeting, agree a voluntary curb un output quotas. If this should happen there-might be a temporary hiccup in chartering demand. "Apart from that, however,

Yugoslavs told

By Aleksandar Lebi in Belgrade THE YUGOSLAV Government has ordered price cms to head off tri-ple-digit inflation and introduced some tax intentives to encourage exports and a wider network of duty-free shops to boost hard-curren-

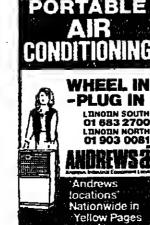
cy carnings.

The main element penalises companies that responded most sharply to the widespread rumours in mid-June that the Government was

Some 200 products that moved upward in price between June 9 and 25 and by more than 5 per cent in June as a whole - or 53 per cent since the start of the year - are to be rolled back to their June 8 price

In the run-up to the Yugoslav Communist Party congress at the end of June, prices of some prod-ucts increased more than tenfold. tive price increases.

Overall retail prices rose 6 per



S. Korea refuses to revalue

currency By Steven B. Butler in Seoul

THE SOUTH Korean Finance Minister, Mr Chung in-Yong, says the Seonl Government will not "artificially revalue the Korean won against the US dollar, as the US has now

formally requested. Mr Chung on Saturday also rejected the notion of enter-ing into "negotiations" over the exchange rate with the US. though he said South Korea would be ready to discu exchange rate and other bi-lateral economic issues.

The US Government is seeking an npward revalution of the won, which has risen only about 1 per cent against the US dollar since the G-five meeting last October that led to a dramatic depreciation of the dollar against the world's major eurrencies.

US officials are concerned about the continued growth of the US trade deficit with South Korea, which totalled \$3.2bn (£2.2bn) in the first half of the year.

South Korean officials have said they expect the won to rise gradually against the dollar as a result of market forces in the coming months. The won is pegged to a bas-

THE TANKER trade remains

on production.

Galbraith's, the shipping brokers, said that over the past week more business had been quoted and fixed with owners of large ships expecting to see improved rates paid for their vessels.

we think that the market will, at the worst, stabilise around present levels, but is more likely, to move newards as we move closer to the Euro-pean winter."

pean winter."
According to Galbraith's large ship values have increased, with a major US oil company conceding World-scale 45 to a 270,000 tonner, Arabian Guif/Singapore.

Business for 130,000 ton vessels had not been quite so prolife althrough owners in

prolific althungb owners in the Mediterranean believed rates were firming up again.
Considerable activity was reported in the clean section of the market with most strength in rates East of Snez.

to cut prices

about to freeze all prices.

The price roll-back is clearly designed to show companies that they may burn their fingers by anticipa-

cent in June to stand 91 per cent higher than a year earlier, although to 3 per cent last month.



OVERSEAS NEWS

Tony Hodges on Luanda's efforts to cope with the oil price fall and a guerrilla war

Cash strapped Angola considers reforms

IN THE sprawling market by the old Luaoda bullring, women sell a bunch of four bananas for 1,000 kwanzas, a seventh of a manual worker's entire monthly salary.

At the official exchange rate those four bananas cost the equivalent of \$33. But such conbecause the national currency oow trades on the black market for one-30th of its official value, which has been pegged at Kz 30 to the dollar since 1977.

Survival would be impossible for most of Luanda's 1m restdents, were it not for the pro-vision of a few basic necessi-ties in "people's sbops" at con-trolled prices. "Goods are so scarce that free market prices." bave soared into the ether," remarked a long-time Luanda resident, recalling the days when Angola used to export farm products such as bananas.

The economy is partially demonstised, noted a United Nations aid official. "People, even companies, want to barier goods, rather than accept payment in kwanzas." Business success, or survival,

binges on a technique known as the esquema (the "scheme"). by which companies directly exchange their output, the kwanza serving as little the than a unit of account.

Angola is still living with the consequences of the mass departure of its 300,000 Porturuese settlers at independence almost 11 years ago. Portugues companies, farms and shops were replaced by a cumbersome, over-centralised state sector, while the country remains bereft of skills at every

Meanwhile, scarce resources bave been channelled into the armed forces, fighting success-sive South African attacks in the south and the Unita guerrilla war, which has spread over nine-tenths of the country. Agriculture has been ravaged. Agriculture bas been ravaged, oil producers and give grounds At first sight this might trade and transport disrupted fur optimism that the build-up appear difficult. Most Western

Angola Production - t50 -100

and last year, \$1.15bn, 34 per of arrears is temporary. cent of total government expen-diture, was spent on defence and security.

Until the collapse in prices, oil was the Government's saving grace, contributing about 95 per cent of export earnings and over half of government

Oit output almost doubled from 129,600 b/d to 231,000 b/d, from 129,600 b/d to 231,000 b/d, and the country is now the largest oil producer in sub-Saharan Africa apart from Nigeria. But Angola's oil, which last year sold for an average of \$26.50 a barrel, was being traded this month for last than \$2 a harrel. less than SS a barrel,

Towards the end of last year Angola suddenly began running up arrears on foreign payments. denting its credit rating, bithertn one of the best in black Africa. Most Western export credit agencies, including the UK Export Credit Guarantee Department, responded by lift-ing cover on medium and long

Several factors, however, put Angola in a stronger position than some other cash-strapped

First, oil output will confinue to rise, partially offsetting the fall in prices. This year production is on course to increase by 21.5 per cent to an average 281,000 b/d, and is expected 10 reach 310,000 b/d in 1987 and 340,000 b/d in 1988.

The second positive factor is that Angola did not borrow heavily during the oil boom years. By the end of 1985, its disbursed medium and long-term external public debt totalled \$2.5bn, while debt ser-vice in 1985 was \$324m, only 15.4 per cent of exports of goods and services.

This year's debt service would rise to \$540m in the absence of rescheduling, according to the Banco Nacional de Angola (BNA). Assuming an average oil price of \$12 a barrel, total exports of goods and services would not exceed \$1.3bn, giving -high but not catastrophic.

The vice-governor of the BNA, Mr Mario Pizarro, says he is confident that the actual ratio can be reduced to between 20 and 25 per cent through rescheduling.
At first sight this might

a multilateral rescheduling through the Paris and London Clubs, requiring a prior agreement with the International Monetary Fund, of which Angola is not a member.

But Angola does not need to take this route. The Soviet Union, by virtue of its arms sales, accounts alone for two thirds of the total debt (\$2,1bn out of \$3.2bn including undis-bursed debt as of September 1985). It has strategic reasons to be soft on Angola and, according to Luanda observers, has agreed to a two-year debt

Longer-term deals are being finalised with Brazil, the second largest creditor (\$434m as of September 1985) and Portugal (\$61m), two countries with close bistorical and commercial ties 10 Angola.

The BNA has meanwhile been negoliating new credits to pay off the arrears. Mr Pizarro said an 18-month facility believed to be worth about \$100m has recently been

agreed by a Swiss bank. According to Mr Pizarro, the bank is negotiating longer term credits in the hope of clearing all of this year's arrears by the beginning of 1987. "If the oil price does not fall again, I am reasonably optimistic," he said, though it will not be an easy exercise."

Restoring Angola's creditworthiness is vital for Sonangol, the state oil producer, which relies mainly on Western credits to fund its sbare of investment in the oil industry but has recently faced financing difficul-A \$150m credit line under

negotiation with Lloyds Bank International for the offshore oll industry may hinge on the restoration of cover by the ECGD, though the Department of Trade is lobbying bard for exceptional treatment to enable

written off chances of obtaining further EximBank guarantees tration's decision to back the Unita guerrillas.

To tackle the balance of payments pressures, the Govern-ment is also curbing imports. This year's import budget bas been revised downwards to \$1.29bn, 7 per cent lower than actual imports in 198a and probably just enough to maintain a small trade surplus,

The scope for economies is limited, because military imports. which last year appear to bave cost \$73m, remain an absolute priority.

Import allocations for most sectors of the economy, except oil and agriculture, have been pared to the bone. Most investment projects outside the oil industry have been shelved.

Already operating well below half of capacity, manufacturing has received an import budget this year totalling only \$69m, 35 per cent of the 1985 allocation, according to Mr Henrique de Carvalho Santos, the

Industry Minister. War and foreign exchange war and foreign exchange constraints make economic recovery outside the oil industry seem an almost herculean ambition. But policy reforms, now on the drawing board, may help stimulate economic activity. The focus in agriculture is shifting away from state farms to the peasants, and retailing is to become the domain of private traders.

traders. Monetary and fiscal reforms are also on the way. The ment will no longer automatic ally cover losses of state companies, many officially controlled prices are to be liberalised, and the kwanza is to be devalued --- Initially by about 40 per cent, according to Mr Agustn Matos, the Finance Minister.

British suppliers to make 3 • Tony Hodges is Africa Editor of the belated breakthrough into the Economist intolligence Unit.



US industry voices doubts over semi-conductor pact with Japan threaten

makers are asking themselves is: "Will the US-Japanese semiconductor trade occord realiy work?" After fighting oggeinst alleged Japanese "unfair trede practices" for almost a decade the US has finally won hig semiconductor trade is predicts that the agreement will not last the first agreement will not last the progress of the agreemant, otherwise it will be circum
the first agreement will be circum
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the first agreement will not last the progress of the agreement, otherwise it will be circum
the first agreement will be circum
the first agreement will not last the progress of the agreement, otherwise it will be circum
the first agreement will be circu won hig semiconductor trade concessions from Japan, but the war-weary US industry has yet to be convinced that its Jopan-ese competitors will live up to of the US semiconductor

their government's promises.
The negotiated settlement followed US industry officials allegations that Japan had illegally restricted foreign chip sales in its home market and that Japanese companies used that Japanese companies used predatory pricing to gain market share in the US. But although the US officiala wel-

founder and chairman of LSI age Japanese companies to Logic, and a veteran of the US increase semiconductor imports semiconductor industry. semiconductor industry.

If the Jepenese Government

wants the agreement to work, and the 1985 elimination of than it will, he and many semiconductor import tariffs in industry leaders believe. Without strong Japanese Government pressure on Japanese remained flat at around 10 per industry, they fear the agreement will prove fragile
"The Japanese will figure out

THE US-Japan semi-conductor

trede pect is a precedent-setter. The agreement makes plain thet

Japan has been using whot the west thinks are unfair business

practices in importing and exporting one of the world's most important high-tech pro-

Tokyo has now given an undertaking to reform on both counts as part of a comprehen-

sive, five-year pect which covers nearly every sub-compact elec-

tronic gizmo the Jopanese make and, in principle, buy. For the first time, the issue of increased access to the Japanese market was tied directly into an anti-

The terms of the ogreement, should soon be in the in-trays

of executives around the developed world. The Japan-

ese Government has called one of its most dynamic young industries to heel—on poper, at least. But thet hit of paper could provide the lever that

western companies need to prise their way into the huge

Jepanese market and compete more effectively with the Japan-

the semiconductor case will be a leading case in market access (for other industries.) We can see it right now with auto parts and we will have more for sure," sighed an

"The semiconductor case will

dumping settlement.

industry. Behiod the cynicism of US

industry leaders lies a history of what they claim are "brokeo promises." Japan has "libera-lised" its semiconductor market at lesst eight times over the past 12 years, but none of these ections bas bad e significant effect on US chip sales in Japan come the pact they stress that it will take hard work and good feith oo hoth sides to turn commitments into reality.

"Til believe it when I see it," says Mr Wilfred Corrigan, founder and chairman of LSI Logic, and a veteran of the IIs

SOUTH KOREAN semicon-

dnetor manufacturers stand

to gain a large windfall as e result of the US-Japanese

result of the US-Japanese chips agreement. They could be left as the only major international suppliers of commodity-type chips able to sell below the price floors established in the agreement.

Korean manufacturers, led

Samsung Semiconductor Telecommunications

benefit from the talks would do failure to do so will create big-

benefit from the talks would do
well to step back and consider
lts role in Japan's evolving
trade policy. The signing of
this chip agreement after a
year of bitter wranging
between byper-sensitive Japanese industry executives and US
bureeucrats is a tribute to
Mitt's strong ties with and
respected status among Japanese industrialists. But it is this

failure to do so will create bigger problems than before, and
not only in the semiconductor
industry.

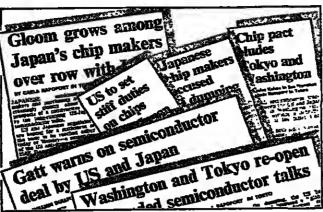
A Mitt official explains: "We
had to do something. If they
and to do something. If they
and European industry and
caused terrible protectionist
problems.

very status which is now at that Miti officials in the hureau stake.

shope government policy to suit up last summer.
industries' needs. It has become
less powerful in recent years, semiconductor officials about six

if only because industry does months to convince their not need it so much. As a superiors that Japan had to result, many at Miti now believe settle. It then took another six

South Korea's principal manufacturer of K256 dram chips, have entered the markets for



five years, more than doubling US sales in Japan.

large scale integrated cir-

cuits several steps behind the

world leaders in Japan and

the US. They have seen

prices for new products decline rapidly below the cost

believed to be about \$3.50 e chip in Korea, the Korean companies should be able to sell well below the target prices and still make a large

profit, at least during the initial three-month period.

dealing with semiconductor Mitt was one of the architects trade were unable to communi- in their bome market, the

of Japan's industrial miracle in cate this view to their superiors industry leaders are just as the 1950s and 1960s, helping to when the trouble started to boil aggressive overseas.

With manufacturing costs

dynamic random access mem-ories) sold in the US. The department will "odvise Jap-anese companies exporting to the US of appropriate fair prices for their products so that they may avoid dumping."

dumping duties. Thet is a very resl inreat," Mr Corrigan resl threa Not everybody in the US industry is pessimistic about Japan's commitment to the trade eccord. "I think the agreement is very favourable," says Mr Charles E. Sporck,

president of National Semicon-

"I believe that the Japanese companies are sincere in their

companies are sincere in their commitment to expanding their purchases of US products. Until they prove otherwise, I'm a believer."

If Mr Sporck is right, the agreement could lead to e big expansion of US chip sales in Jopan. The US Department of Commerce calculates thet current annual sales of around \$800m (£403.9m) should increase to around \$2bn over the period of the agreement.

The US industry must make a commitment to support the Japanese market, says Mr

Japanese market, says Mr Sporck. "We must increase Sales in Japanese companies to increase semiconductor imports and establish a trade monitoring system. Despite this agreement and the 1985 elimination of semiconductor import tariffs in the US and Japan, the US share and increase will be monitored by semiconductor import tariffs in the US and Japan, the US share of the Japanese chip market has remained flat at around 10 per cent.

The trade agreement signed last week is, however, far stronger than any of its predecessors.

US sales in Japan.

Japanese export prices on e that they may avoid dumping.

In return, the US bas suspending the monitoring system as well as suspending the hroader "301" complaint.

To "encourage" Jepanese companies to comply with the more will also monitor products and expanded its design, test hroader "301" complaint.

To "encourage" Jepanese

The US Department of Commerce will also monitor products and expanded its design, test hroader "301" complaint.

To "encourage" Jepanese

Companies to their products so that they may avoid dumping.

In return, the US bas suspending the magainst Japanese sales and support staff as well as suspending the hroader "301" complaint.

To "encourage" Jepanese

Companies to our allocation of resources to Us has suspending the hroader "301" complaint.

To "encourage" Jepanese

Like most US chip makers, the US chip makers and quality assurance operations in Japan, he says.

Like most US chip makers, the US chip makers are well as suspending the hroader "301" complaint.

To "encourage" Jepanese

Companies to their products of that they may avoid dumping.

In return, the US bas suspending the hroader "301" complaint.

To "encourage" Jepanese

Like most US chip makers, the broader "301" complaint.

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Like most US chip makers, the broader "301" complaint.

The US Department of Commerce will also monitor products will be monitored by against Japanese chip makers are supported two key dumping.

To "encourage" Jepanese chip makers and expanded its design, test they may avoid dumping.

To retur

SHARES OF WORLD SEMICONDUCTOR MARKET US Japan Europe 1982 54 34 11 1983

increase in chip prices world wide. Although US industry analysts reject Japanese reports of a possible doubling of the price of memory chips, they do expect a price increase of about 20 per cent on Drams and

1984 51 39

1985 48 41 10

Other chip prices could increase slightly, they say. These price increases will, however, be only a "short-term perturbation", anelysts maintain. They see the long-term downward prices trend continuing after a few months of confinitions.

to evaluete and design new chips into their products, experts point out.

There are also dangers that the agreement could backfire on US chip makers: although the US managed to persuade Japan to monitor export prices to third countries as well as to the US (a bay sticking point in the US (a key sticking point in the negotiations), it has yet to be seen whether such controls are

Big US semi-conductor buyer. say it is too early to assess the impact of the trade agreement on their costs.

As the next potential
"target" of aggresive Japanese
competition, US computer companles have given the semiconductor industry their tacit
support. The marginal increase in chip prices that the agreement may cause is a minor inconvenience compared with the potential benefits to the US semiconductor industry of

of ther chip prices could increase slightly, they say. These price increases will, however, be only a "short-term perturbation", anelysts maintain. They see the long-term downward price trend continuing ling after a few months of continuing after a few months of continuing the price trend continuing the price trend continuing the price trend continuing point for US industry." says Mr Sporck. "If this agreement could be a turning point for US industry." says Mr Sporck. "If this agreement it cannot persue policles that wipe out the industries of its trading partners, if Japan accepts the fsct thet trade is a two way deal, then perhaps this agreement is indeed one of the most significant agreements that has ever been negotiated by the US."

would not stand up in e court of law. And if it does collapse, Japanese chipmakers will be able to sell chips through off-

thore facilities at the price they

Dr Mitsuo Matsushito, Pro-fessor of Law et Tokyo Univer-

sity and an authority on trade

disputes, says that under Japan's Foreign Exchange and

Foreign Trade Control Law, it is impossible to enforce such a

price monitoring system in

For a couple of months, it will

foreign countries.

Europeans challenge under Gatt

By Tim Dictorn in Brusels

semiconductor trade has come under fire in European Commission in concerned about the deals impact on European chip prices and manufacturers and said that it might the action under the Gonzal Agreement on Tarits and Trade.

The agreement chips exported to Burspe and the Commission has stressed that "It cannot accept that Japan and the US determine prices to be paid by European users on the basis of a li-lateral understanding."

While not objecting for those elements of the desintended to eliminate Japanese dumping in the US, it is "concerned about the possibility of discriminatory market access to Japane" market access to Japan."

The European Electro is pursoing its own auti-dromping case in Europe, said yesterday that the deal of least "represents a warning shot for the Japanese. The Europeans have been left out, but the Japanese about have got the message."

Mr Iann Barron, chief Mr Iann Barron, chief strategie officer at Inmos, the British microchip company, was less sanguine. He pointed out that "while the agreement contains nothing the should notionally harm Europe, there is nothing that "while the interest its in the should notionally harm Europe, there is nothing that "while the should notionally harms." specifically protects its in-

The "third country" provi-sion in the monitoring system was intended to protect the US from backdoor imports and was not designed with the Europeans in mind, he

"There is nothing more over, to say that the Americans won't use unfair prices. Europe imports 85 per cent of its chips but attempts are being made to encourage a stronger indigenous industry for the 1990s, notably through companies such as ESS and the Philips/Siemens meg; chip project.

US chipmakers seek support

dustry leaders have called upon the European electronics industry to support the US/ trade pact as reports of European objections to the trade agreement reached the US, writes our San Francisco correspondent.

"The European semiconductor makers should follow our lead. They should bring trade actions egainst the Japanese to prevent dumping," said Mr Will Corrigan, chairman of LSI logic, the leading US semi-custom chipmanufacturer. "The US/Japanese agreement will be very positive for European chip makers," he said.

Gatt warms on semiconductor Gatt warns on Japan deal by US and Japan Washington and Tokyo re-open and semiconductor talks

Japan has promised to in-crease its purchases of foreignmade chips to just above 20 per cent of its market over the next

those of Japanese companies in 16 countries overseas. Further,

Miti realises that price monitor-ing will be ineffectual if it does

not force the industry to cut hack on its capital spending

to mothball some of its existing

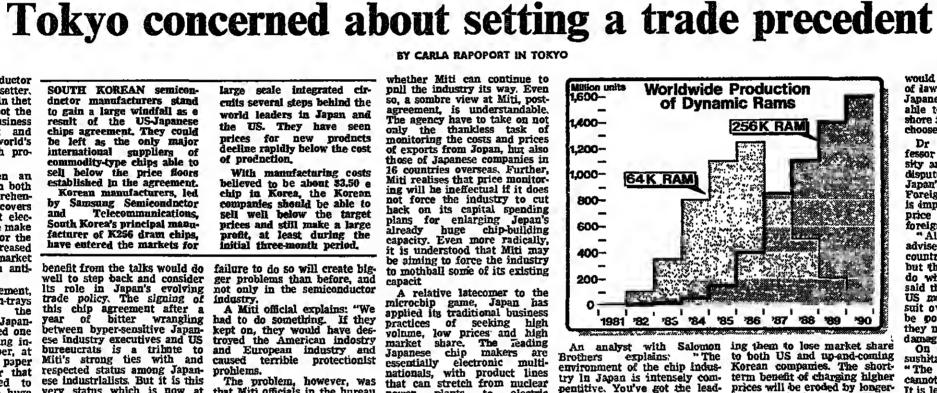
microchip game, Japan has applied its traditional business

power plants to electric toasters. Intensely competitive

The five leading chip makers, NEC, Hitachi, Toshiba, Matsu-shita Electric and Fujitsu, are

belleved to be making little, if

A relative latecomer to the



An analyst with Salomon ing them to lose market share Brothers explains. The to both US and up and coming environment of the chip industry in Japan is intensely compentitive. You've got the leading warlords (the big chip makers) against the individual fiefdoms (the smaller makers such as Sharp, Sony and Oki Electric) fighting each other. The Japanese do not want to talk about it but the movement is alway towards strength in volume and diversity. An important objectiva for Miti more for sure," sighed an official from Japan's Ministry for Internetional Trede end Industry (Miti) last week.

Mith has reason for concern. The settlement of these talks focuses a strong spotlight on make Japanese commanies they ment?"

More for sure," sighed an not need it so much. As a superiors that Japan had to settle. It then took another six chip businesses. But the highly money on their volume settle. It then took another six chip businesses. But the highly money on their volume settle. It then took another six chip businesses. But the highly money on their volume settle. It then took another six chip businesses. But the highly money on their volume settle. It then took another six chip businesses. But the highly money on their volume settle. It then took another six chip businesses. But the highly money of their volume of these comments of the agency. They donbt whether so, e Miti man says: "We still don't think we have their agreemonths to convince the Japanese of these comments of the agency. They don't think we have their agreemonths to convince the Japanese, sure industry to agree. But even so, e Miti man says: "We still don't think we have their agreemonths to convince the Japanese still and the settle. It then took another six chip businesses. But the highly money on their volume of the settle. It then took another six chip businesses. But the highly money of their volume of the settle. It then took another six chip businesses. But the highly money of their volume of the settlement of these comments of the settlement of the settlement of the settlement of these comments of the settlement of the settle now is to regulate the rate of new capacity."

that the price monitoring agree-ment will damage them by caus-

prices will be eroded by longer-term loss of sales volume. Under the agreement, said a top execut velwith a medium-sized chip maker last week: "We have to price higher than cost, so the market price is now outside the system. It used to be that we'd lose money in one product and make money on another. Now I'm afraid we lose in all categories."

new capacity."

Still, many believe that the Japanese companies should not fret. According to a prominent that the price monitoring agree-legal authority, the pact's third-country monitoring system

"All they can do is informally advise the purchasers in third countries not to sell to the US, but the purchasers are free to the Us, but the purchasers are free to do what they want." He also said that chip consumers in the US might mount an anti-trust suit over the issue. "It would be politically, unpopular, but they might get some monetary

damages," he said. On market access, Dr Mat-US SEMICONDUCTOR issushita is even more sceptical. "The Japanese Government It is legally impossible."
On the pact in general,
Professor Matsushita sums up
a feeling that is not uncommon:

be a mitigating factor in this trade friction problem. But if you take the two to three year view; I doubt it will do any-"The European semiconducthing but make things worse."
For most in the Japanese industry and government, it is considered an achievement that the pact was signed at all. "It's a beginning to a solution, not a solution itself," concludes a Miti

Reagan fails to score conclusive victories in protectionism battle

focuses a strong spotlight on make Japanese companies obey ment." the ministry. Those who aim to the agreement. They fear a It is

LAST WEEK was one of dead-

lines and drama for Reegan Administration trade strategists. Jenanese Government agreed to help the US sell semiconductors in Japan; that preparatory talks for a new round of multinational trade negotiations con-cluded with the most contentious issues atill unresolved; that ended a bruising battle for a new five-year multifibre arrangement (MFA); that the stridently anti-communist administration agreed to sell 4m tonnes of subsidised wheat to the Soviet Union.

The stage is now set for the

congressional vote on Wednes-dey on e proposal to override President Reagan's veto of pro-tectionist textile legislation. At stake is the future of the MFA, the Administration's continued conrol of the nation's trade policy and, perhaps, continued Republican control of the

the President's veto being over-riden the outcome is by no means certain. Last week proponents of the Jenkins Bill, which would cut textile and clothing imports and protect footwear and copper as well, found themselves just 10 votes short of the two-thirds needed to override the veto in the House. They are, however, close to the number needed in the Senate.
The conclusive victories the

eluded them. More than 1,000 union mem-hathough the microchip pact was received with some scep-ticism, it won some consider-eble praise. Tha US semicon-MFA settlement had boosted



two nations." The ne Administration's continued two nations." The General control of the nation's trade Agreement on Tariffs and Nilcy and, perhaps, continued Trade talks evoked little comment in Washington, and the proposal to subsidise Soviet Although the odds are against grain sales was greeted as "a good beginning" by farm legislators.

But the textile agreement was met with howls of protest because the American negotiators hod failed to have all fibres included in the agreement and had negotiated no linkage between quota growth and conditions in the importing countries.

countries.

Mr John Gregg, chairman of the Fibre, Fabric and Apparel Coalition for trade, labelled the renewal "an atrocity inflicted on tha textila and apparel Administration had hoped to renewal "an strocity inflicted amounce last week to blunt on the textile and apparel the protectionist push had industry.

Bluded them.

More than 1,000 union mem-

lateral textile agreement with South Africa allowing a 4 per cent rise in its exports while et the same time a Senate committee was debating sanctions. The Administration took

every opportunity to warn of the dangers. Mr George Shultz, the Secretary of State, warned of the implications of world protectionism — a "compartmentalisation" of the world accommens with small ground of mentalisation of the world economy with small groups of countries erecting trade barriers to the outside world.

Mr Clayton Yeutter, the Trade Representative, warned that passage of the Jenkins Bill would wreck the MFA and cost the US "billions and billions" in exports which would have to be paid in compensation to injured exporters.

Mr Colly Chandler chairman

Mr Colby Chandler, chairman of Eastman Kodak Company and the new head of the President's Exports Council, fretted that protectionism has now become politically acceptable. Americans see imports as unfair trade while "the world sees our actions on steel, footwear, machine tools and a bost of ogricultural products and wonders how we can speak so righteously from insida our glass house."

The dabt problems of the Third World contributing to the trade crisis are far from solved, he said. Meanwhile. West Germany and Japan "refuse to take steps to increase their domestic growth, which would help us re-duce our trade deficit and thus the cry for protectionism at

The momentum for protectionism is driven by powerful forces—the record trade deficit and high areas of johlessness in an election year. However, eble praise. Tha US semicondirector Industry Association the chances of the Jenkins Bill.

hailed the egreement as "an A major public relations the White House has still to opportunity to begin a new era in trade relations between the helped their cause— the left in the fray with its own included their cause— the left of the play goes on.

William Dullforce assesses the conclusion last week of the preparatory trade talks Gatt prospects clouded by unfinished business

ment." semiconductor market was
It is far too early to predict troublesome but not ruinous.

selves that after seven months of haggling they had managed to berd the world's trading nations towards a new round of

If Congress overrides President Roneld Reagan's veto on the double climax reached last week in the committee preparing for the next full round of talks on the General Agreement on Tariffs and Trade (Gett) and in the textiles negotiations leaves the nations shambling in less than orderly fashion to the meeting of trade ministers in Punta del Este, Uruguay, on September 15. September 15.

The committee's foilure to agree on the draft of a delcara-tion for the ministers renewed governments to unravel the inequiries of world trade in farm products and to impose on it the disciplines now applied under the Gett to industrial

products.

The failure exposed yet ogain the ambiguities of the European Community's agricultural policy, the fragility of current US and EEC efforts to negotiate truces in farm trade disputes and their failure to proceed the product of the produ paper over the underlying con-flict on trade in agriculture. The agreement to extend for five years the Gatt Multi-Fibre Arrangement, which governs most of world trada in textiles and clothing, removed ona obstruction to the new trade

talks.

But it remains to be sean whether it is enough to enable the Reagan Administration to circumvent in the US Congress on Wednesday what potentially even higger obstacle. This is the protectionist Jenkins Bill which would substantially increase US restrictions on imports of textiles and ciothing. restrictions on imports of textiles and ciothing.

When the new MFA was comment.

Cluded in Geneve on Friday

US textile industry retext, the preparatory committee

The service of the aims and priorities of the industrial nations with those of the developing countries.

by all-night sessions at the end nounced it as conceding too of last week, reassured them much to Asian exporters and selves that after seven months accused their negotiators of giving in to pressure from China If Congress overrides Presi-

round must move to a higher level and it is np to politicians and governments to clear the rest of the way. The message is directed par-ticularly to the British govern-ment, which currently holds the presidency of the EEC and must take the lead in resolving

must take the lead in resolving the differences within the Community over the line the 12 should take on agricultural trade in Punta del Este.

The Community was responsible for the untidy conclusion to the Gatt committee which had been trying since January m draft a ministerial declaration and agree on an agenda for the new round.

for the new round.

It had been hoped that the preparatory committee would agree on a single draft and maintain the econsensus under which Gatt traditionally moves. In the event it will submit which Gatt traditionally moves. In the event, it will submit three drafts, leaving it to the ministers to sort them ont.

One was tabled by the group of 10 hardline developing countries in which Brazil and India were the most prominent. They insisted that the new round could cover only trade in goods and would refuse to allow disand would refuse to allow dis cussion of such issues as trade in services, intellectual pro-perty and trade-related invest-

President Reagan criticised Congress at the weekend for passing what he called destructionist" legislation setting quotas on textile imports and be urged the House stand, Renter reports

stand, Renter reports
to allow his veto of the bill to
"High trade barriers, what
is often called 'protectionism,' undermines economic
growth and destroys johs,"
Mr Reagan said in his weekly
radio address. "But I don't
call it protectionism, I call it
destructionism," Mr Reagan
said, referring to the textile
trade bill which was passed
by Congress last year and
which he vetoed.
The House of Representatives has scheduled a vote
next week in an effort to
override the President's veto
and force the bill into law.

and force the bill into law. The Senate would also have

has left the hardliners greater latitude to persevere with this line in Punta del Este. Brazil and India have not been forced

into the isolated position where they must decide to join the consensus or take the conse-quences. The weight of opinion among Gatt's 92 members, how-ever, is not with the hardliners.

Argentina, one of the 10, submitted its own draft declaration. It emphasised Argentina and other farm exporters' con-

cern to commit countries to negotiating fundamental re-form of agricultural trade. It

is best regarded as an amend-ment to the third draft. This text, sponsored by Colombia and Switzerland, looked likely to win majority support until the EEC's defec-

tion. It went through two revisions in e concerted effort by more than 40 Gatt members to



aimed to negotiate a prohibi-tion on farm export subsidies such as thosa which heve allowed the EEC to become the world's biggest exporter of dairy products, pork and beef and one of the largest grain clearly on the EEC to sert itself

tightest possible control over the agricultural negotiations. It wanted them kept within one negotiating committee, refusing to allow a separate committee on Gatt subsidies to concern itself with agriculture. It insisted that farm export subsidies should not be mentioned in the

declaration French officals argue that, is contrast to the Australian pie in-the-sky approach, Paris take the current realities of world agricultural trade as its starting point. One of those realities, they claim, is that the Com-

ing point. One of those realities, they claim, is that the Community cannot undertake farmounty it has sorted out it has sorted out it.

When the French last week received the supported out it.

The danger now is that the Colombian-Swiss draft

It admet out of the danger now is that the Colombian-Swiss draft

It admet out of the danger now is that the Colombian-Swiss draft

It admet out of the danger now is that the Colombian-Swiss draft

It admet out of the farmounty vacilitation over agricultural trade will allasses

The danger now is that the Colombian-Swiss draft

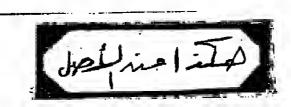
It raised their hopes that the colombian-Swiss draft

It raised their hopes that the error of the farm products.

The last Takyo round withing fart failed to fulfill its promises on agricultural disputes raises the specular out farm export subsidies.

The last Takyo round within of agricultural trade. The surror take fart failed to fulfill its promises on agricu

tries in the Pacific South
America and Asia which have
started coordinating their policles towards the new round will
meet again in Australia Lates
this month. The burden Er
clearly on the EEC to saw itself out in the next few weeks.



dell in the

reaten Councils lallen get tough nder G on Sunday trading Configuration and By Our Consumer Affairs that or fig. by Correspondent

ittiler for the Correspondent in the state of the Government in t

Reports from around England The beginning the likelihood of the repeal of the likelihood o

The National Consumer Councilla Figure 10 learns of prosecutions taking place Pens or prosecutions in Bagainst Sunday traders.

uf the Japans new government initiative on Sun-fert the mean new government initiative on Sun-land Bars lay trading before the next general lann Burg election.

IRA murders force Ulster builders to shun army contracts

BY HUGH CARNEGY IN DUBLIN

THE GOVERNMENT is facing seri- stabulary (RUC) base in Enniskillin Northern Ireland after the resur- year, with the loss of 40 jobs. gence of an IRA murder campaign

Much of the strain is likely to fall on army engineers, already heavily and reconstruction, as it becomes increasingly difficult to find compenies and workers prepared to work at army and police stations in the protection to damaged stations. face of IRA threats to kill them. Last week, John Laing Construc-tion withdrew from a building contract at the chief Royal Air Force base in the province - RAF Alder-grove, next to Belfast's main sirport after the IRA on Thursday named three companies as being on its list of targets. Thirty-nine jobs were

lost as a result. The threats to the companies rolating (E[C]) "Quite a number of local authorilive in this star now clamping down on Sunin case it hals being threatened," says Mr

"represent a Manrice Healey, deputy director of
the Latin Latin Manrice Healey, deputy director of
the Latin Latin Manrice Healey, deputy director of The threats to the companies folyear in its campaign against the large by the large seems little chance of any working for the security forces.

Last week also saw the withdress on Sunyear in its campaign against those

ous difficulties in maintaining en, County Fermanagh, which was buildings at army and police posts hit by an IRA mortar attack last

The task facing the Government against companies and individuals is compounded by the fact that a working on security forces con-spate of attacks by the IRA late last tracts. spate of attacks by the IRA late last year left a number of outlying RUC posts in need of repair. At the time, at least three companies pulled out involved in security-force building of security-force contracts, with the loss of some 300 jobs, because of threats against them, and extra troops were flown in to give added

If work was halted or seriously delayed, it would be a considerable triumph for the IRA. As was promised by the Government at the turn of the year, Mr Nicholas Scott, the Northern Ireland Minister re-sponsible for security, has pledged that all the required work will be He said materials might have to

be brought in from outside and officials did not deny yesterday that outside workers might also be drafted in, although greater use uf army engineers is the most likely

Among those denouncing the IRA actions have been trade unionists who fear job losses and possible knock-on effects in other industries.

Schroders creates Big Bang subsidiary

SCHRODERS, the UK merchant banking group, today takes a further step in its preparations for the Big Bang, or financial deregulation of the City of London, with the crea-tion of a new subsidiary, Schroder Securities Limited. Schroders is the only leading UK

merchant bank that has decided to build up its securities business internally rather than buy an existing stockbroking firm. The new subsid iary incorporates Helbert Wagg & Co, Anderson Bryce Villiers Lim-ited, the equity broking company Schroders set up 18 months ago as a member of the Stock Exchange, and Schroder Securities International Limited, its dealership in international stocks.

Schroder Securities, which is a Stock Exchange member, bas capital of about £10m at the moment and employs about 180 people, in-cluding 30 in Tokyo and 30 in Hong Kong. It has about 20 analysts who currently cover Far Eastern stocks and nearly half of the UK stock market. It expects eventually to become a member of the Tokyo Stock Exchange

The firm is also building up a relationship with Wertheim & Co, the Wall Street investment bank

Nick Garnett examines a heavy industry's battle for survival

Forgings fall in European league

ten off by government ministers patches of UK engineering. back in the early days of recession happily left to wither and die.

tainly been slipping and sliding ac- into the required shape by hamcording to the latest glum economic mers and presses, and some reinreview by the British Forging In-vestment programmes are in progdustry Association.

The association's 60 member companies, which account for four fifths of UK output, forged 205,000 tonnes of metal last year, less than

Chronically low profitability and distressed industry," says Mr lan only a quarter the size of that in its press capacity. West Germany.

the UK economy into better, more money-spinning activities, the tribulations of the UK's forging companies reflect two cruel aspects of the state of British manufacturing. As suppliers of high-quality Some companies are doing quite forged components to a wide range well. George William Thornton in

dirty, metal-bending operation writ- large, although by no means all,

It is not all bad news. Unlike castas a "sunset" industry that could be ings - made by bot metal poured into moulds - forged steel is made The UK's forgiog sector has cer- from heated metal that is stamped ress to modernise UK forging oper-

Davy Forge of Hartlepool, in the North east, part of the Davy Corporation, is spending £1.25m on new half the tonnaga they churned out hammers and presses, furnaces and process equipment. It won a Queen's Award for export achievebuge overcapacity are rife. "It is a ment this year, the first forging company to do so. John Stokes of Walsall, in the Midlands, beartland Ford, the association's vice-presi-dent Moreover, the industry is now of forging, has also been expanding

West Germany.

The forging operations of United
However, far from representing
Engineering Steels, product of the
some organic metamorphosis by
GKN-British Steel Corporation Phoenix Two merger and by far the biggest supplier of forged metal in the UK, has a better track record of investment than many medium-

sized European competitors. of engineering industries - with ve- Sheffield, part of the Bramah hicle building absorbing half the group, is e small, successful operaoutput - the decline in forging is a tion in precision forging ranging barometer of the size and health of from aerofoil blades to hip joints. hardware" production in the UK. Firth-Derihon, part of Johnson and It also represents an uncomfort- Firth Brown, has made a success able reminder of the cycle of low out of relatively bigb-volume auto-

space industry.

mand tight tolerances and tough Forge investment is designed to broaden the company's appeal to customers in aerospace and missile building. Non-ferrous alloys probably account for no more than 2 per cent of forges by volume but 15 per

cent by value.

An unmistakable taint of pessimism permeates the forging association'a internal review, bowever. Output fell almost 8 per cent last year. In the first few months of this ar, deliveries dropped a further 12.5 per cent compared with the

same period in 1985. Sucb unpleasant figures come despite a jump in demand from a number of sectors, including mining, pipeline manufacture and mechanical handling.

Not only Britain is suffering. rope. Output from French forges has fallen to 1963 levels, although if integrated operations are included those owned by a wider manufacturing husiness - France is still a

of its vehicle industry. Non-inte-

GRIMY and hot, dark and noisy. volume, low margins and low inSieel forges were the very type of vestment that continue to envelop added components for the zeroonly 140,000 tonnes in 1984 - the last available date for comparison -More companies are also turning but integrated forges added another to non-ferrous alloys for compo- 140,000 tonnes. In the UK the forges nents with higher profit margins. of vehicle builders add just 25,000 Such components, frequently des- tonnes. Italy also produces about 50 tined for aerospace applications, de- per cent more tonnage than the UK.

From the point of view of British metal-testing procedures during manufacturing, the most unpleasmanufacturing. Much of the Davy ant comparison is with West Germany. That country is producing in total just short of 1m tonnes a year.

Not only is West German manufacturing generally much stronger than in the UK, but independent West German forces moved into ialist niches in the 1960s and 1970s from where they have become important suppliers worldwide of specialist forgings. In 1984 West German exports of forgings rose 38 per cent, and in 1985, total production of steel forgings increased 9 per cent, largely on the back of iocreased domestic demand.

The association's last annual report contained a salutary warning. The question now is whether companies can raise their sights above the short-term pressure to survive Profitability is low right across Eu- and build internationally competitive enterprises," it said.

"This requires not only stable government policies and free access to markets in Europe and elsewhere but also a lifting of spirits larger producer than the UK.

That is largely because of the size

among businessmen and a longterm vision of what can be achieved among businessmen and a long-

The sale while the contains and Dixons switch from Far East TV sets

the mediate BY DAVID CHURCHILL CONSUMER AFFAIRS CORRESPONDENT thend at the property DIXONS, the electrical retailing from being closer to our suppliers are backets. 2: ro: the group that failed last month to take it also helps to create jobs and de-trep have been woodworth. Holdings, has mand in the economy.

Agreed to buy about 200,000 British
Direct homes the Thorn EMI deal assembled colour television sets

on's war mag £50m at retail prices. the largestifier. The move is part of a marketing and home computers. thip: | Coffensive by Dixons in the wake of mark: 10 service failed Woolworth bid and repre-Total grant dargest single order for British tele-

hillipul/sies my risions ever mane an array representation sets represent to sent about a tenth of the present to all UK market for colour televisions bit UK market for colour televisions ourcing police the sent about a tenth of the present to and will aim to undercut higher-priced Japanese models. Surring policy, traditionally Nearly half its total sales of col-

heariy han us total saies or con-tended by a the UK rather than the Far East. Yerres and We were offered a very good to support the eal by Thorn EMI and we felt 25 regularies our cing these televisions from the last night which Thorn EMI facto or in leader courcing the Treem at rest JK," said Mr Gerald Corbett, group San France director, yesterday. "Apart deal.

Dixons hopes the Thorn EMI deal will prove as successful as the pre-The second Thorn EMI in a deal worth Christmas deal last year with Amstrad for sales of word processors

> It plans to start selling the televisions in the autumn under a new brand name yet to be announced The televisions will be available in

> costing £220 will be sold by Dixons under the new brand for £199.

Mr Mark Souhami, Dixons group managing director, said yest We are the only UK retailer who

ries would benefit most from the

Their should Call for banks to fund tax-aided student loans

"IN BY MICHAEL DIXON, EDUCATION CORRESPONDENT

orall he are much. Nor is the contrast scheme to provide the UK with an between the treatment of the old and the young - the country's past oans for financing students studyoans for financing students studying for degrees at universities, polyechnics and colleges, the Lloyds
Bank Economic Bulletin says today.
The Government would have to
give a lead to the scheme by supplying an extra £125m a year to restore tudents' maintenance grants to

thus a further £175m annually to over the costs of encouraging stu-lents parents to fund additional exsenses by taking out loans from The increased contributions from axpayers money would raise pub-ic spending directly on student fi-lance from the present £600m to shout £900m a year in terms of curent prices, adds the bulletin, writ-re by Mr Christopher Johnson, loyds Bank's economic adviser. He argues that it is foolish as well he argues that a country that hakes it as self-evident that old-age

gainst inflation should have let the

handle French F Nobody 1962.

TO THE PERSON

He adds: "By skimping on financial provision for higher education the state is thus forgoing an inves penditure which are protected by their 'sacred cow' status."

should find the 13.5 per cent in crease needed to return the grants given outright to degree students to the buying power they represented when the Tories took office in 1979. Although how much grant a stu-dent received would still depend on means-tested parental income, the 13.5 per cent grants increase would not be accompanied by rises in the

ents even in the highest income But instead of expecting better off parents to make the payments to their student children from current funds, Mr Johnson argues the tives by way of additional tax relief all by nearly a fifth since 1962. for parents to finance the contribu-

Reshuffle may leave Cabinet little changed

BY PETER RIDDELL, POLITICAL EDITOR

days, all the signs are that Mrs Commons.
Thatcher is inclined to keep any
Changes at Cabinet level to a miniLower do

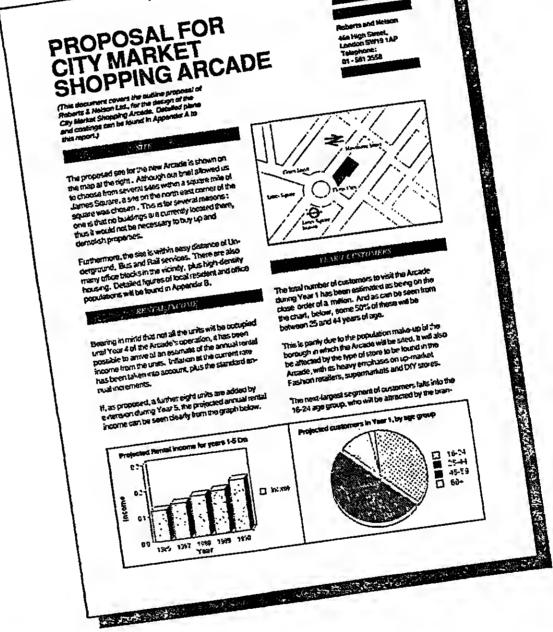
is month the general view of her key advisers is against making any curity.

THE uninisterial reshuffle early balanced ticket." Since that rebuke the next month is likely to be confined from Downing Street, Mr Biffen wainly to the middle and lower has been more subdued and is remainly to the middle and lower has been more subdued and is rehas been more subdued and is regarded as a member of the team again, as well as being a highly successful conciliator as Leader of the fulfill its days all the clone and that the

However, some moves are likely lower down the Government Changes are expected in the Department of Trade and Industry partment of Trade and Industry will partment of the Department of the Departm partment of Health and Social Se

sweeping changes at the top.

In particular, the position of Mr
John Biffen, the Laster of the Commons, now looks safe despite the among the centre for Policy Studies and her own Policy Unit in Downing Street, about splitting health and social security to give more prominence to health, possibly with its There has been some talk among nence to health, possibly with its Government after his edvocacy of a own Cabinet min



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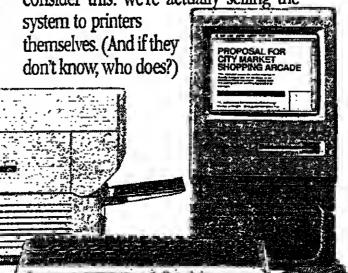
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A COWBOY rode off on Sunday to a town 24 hours away then turned his borse and rode back over the cext 24 hours to arrive home on Sunday still. How could that have happened?

The audience of 85 executives at the Management Cootre Europe conference in Brussels.

The addience of 35 executives at the Management Ceotre
Europe conference in Brussels
pondered the question for some
minutes, bot finally admitted
they were stumped. On the
platform Dr Edward da Bono,
ploneer of lateral thinking,
permitted himself a grin.

"Sunday was the name of the
horse," he said in his bedsidemanner voice.

It was the medical degree be
took at Oxford after graduating
in psychology that set the
Maltese-born de Bono oo the
road to originating strategies
for thinking the previously unthinkable. He moved to
research in physiology at Cambridge, which led to the notion
of gaining new perspectives oo
old questions by jumping the
mind sideways from the straight
and narrow path.

and narrow path.

His first book on the topic appeared in 1967 and has been followed by 19 more. They have sold towards 3m copies in

have soid towards 3m copies in 23 languages. Although his work has raised little more than disdainful eyebrows in ballowed academic establishments, it has made him a key figure in the educational advances being pursued in Venezueia, Bulgarla and recently the Soviet Union. He has worked as a consultant for a bost of companies, They include 3M, Exxon, Shell, IBM, Apple, Citibank, Bank of America, General Foods, Procter and Gamble, Unilever, United Technologies and the Swedish pharmaceuticals and biotechnology group Pharmacia which attributes its rapid profit which attributes its rapid profit growth partly to the application of de Bono's methods. Along the way, be bas also become a television pundit and a star attraction on the international management conference circuit,

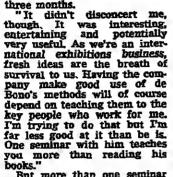
His guru status shines forth as he sits like Buddha before his acolytes, continually scribbling under the lens of the over-bead projector beside his chair. By the end of each conference session be is surrounded by a small glacier of scrawled-on transparent film.

What be draws on it are childlike pictures of cars with their engines on the roof and aircraft landing upside down.
All are improbable, some down-right daft. That, he insists, is

The guru factor

Riding on an unusual hobby-horse

Michael Dixon reports on Edward de Bono who has inspired many disciples to think along unexpected lines



The 53-year-old doctor's answer is that while the blue-print may be faded, the machine works well. Why tinker with it? Ha can better spend his time travelling the world was the timestated methods. using the time-tested methods to generate ideas to the benefit not only of commercial, but also of social concerns.

All are improbable, some downing daft. That, he insists, is the whole point. The mind must boggle before it can leap.

"Listening to him sometimes makes you feel you're heing taken back to your earliest scheme poses some people in senior, iobs some people in senior, looking Angus, a director of Andry Montgomery, looking back on the Brussels confermed from a distance of nearly more from a distance of nearly specially proud, for the motion of the conventional thinking of the conventional thinking of the conventional thinking of the conventional through in the course of a systematic scheme.

It there's to be benefit from through the motion of the motion the motion of the conventional thinking of the conventional thinking of the conventional thinking of the conventional through the motion of the conventional through the conventions and again, some small depositor and where computers aren't yet it an idea-sensitive area," be one where new thinking can be there's to be benefit from through the motion of the motion in the course of a systemati

"It didn't disconcert me, the use of a word be personally coined as a device for side-though. It was interesting, entertaining and potentially very useful. As we're an international exhibitions business, fresh ideas are the breath of survival to us. Having the company make good use of demants whatever is said oext must be considered as a relection. must be considered as a relevant and potentially fruitful suggestion, no matter bow nutty it seems.

Bono's methods will of course depend on teaching them to the key people who work for me. I'm trying to do that but I'm far less good at it than be is. One seminar with him teaches you more than reading his books."

But more than one seminar with him — according to babitués of management conferences — teaches you no more than you learned at the first. His critics say that since he completed his design for thinking oew things almost two decades ago, be has never added anything new.

The time the word in New nutry it seems.

The use of the word in New when crime was rocketing and the city had no funds to pay extra police. The mayor, then some than you learned at the first. His critics say that since he completed his design for thinking forebade Lindsay and his officials to dismiss the proposal as impossible even if desirable, they had to consider the consideration of the considerat

police to supporting groups of self-interested citizen observers. De Bono emphasises that the subsequent key work of putting the idea into successful practice, groups and so on, could not be done without systematic, rational thinking of the conven-

help," be says.

An example of his ways of generating fresh thoughts is to pick a word, preferably a coun, et random from a dictionary and then try to soply it to the problem under review. The random word that came up during the Brussels conference was "false-teeth" and although the context it dropped into at the time was different, it might have generated the oeighbourhood watch answer to Mayor Lindsay's New York problem by

One thing you can do with false-teeth, at a pinch, is to take them out and lend them to other bare-gummed people with a more pressing oeed to chew. Po: law-abiding people should have false-eyes to lend to

being used in the following

police officers.

The purpose of dodges such as random words is to provoke the mind to abandon the fami-liar angles from which it looks liar angles from which it looks at questions, and see them from previously unimagined points of view. But de Booo insists that if practical good is to come from the wayward visions, they must be coojured up and followed through in the course of a systematic scheme.

thinking of the standard kind." Even theo, be adds, the formula will not necessarily pay off. Organisations are unlikely off. Organisations are unlikely to gain from lateral thinking unless powerful people in them, preferably their chiefs, are committed to the method's proper use. It also helps explicity to eocourage subordinate managers to apply lateral thinking, perhaps by stating in their job cootracts that they are expected to make—say—three prodoctive innovations three prodoctive innovations

each year.

De Bono thinks, too, that organisations' ability to switch to the creative mode may be infloenced by the nationality of their leadership.

"Americans are a curious in their leadership." each year. mixture. In their actions they

seem dynamic and entrepreneurial. Bot when it comes to baving coocepts they prefer the well trodden paths. Given the idea of "Lassie" they move on to "Son of Lassie" and so forth.

operations running but cut down the working costs. While that's an important function, it is only one side of an economy.

a French executive said: "Draw a French executive said: "Drawing out my mooey makes me sad, so why not cash-dispensers which make people laugh?" That sparked a burst of ingenions suggestions for fixing the machines to tell jokes.

But the seemingly feasible proposal to which the group profits gave consensus approximates. swiftly gave consensus approval promised to be even more enter-taining, at least for some. It was to make the cash-point

The other side is opening up the new, and Britain neglects it. I can't think of anyone who's doing it except Sir Terence Conran and ooce in a while Marks and Spencer." If de Bono is right, British business chiefs' concentration on making old operations more efficient is depriving them of eojoymeot For the Management Centre

For the Management Centre Europe conference showed that lateral thinking is great fun. Although the mixed-nation aodience began somewhat stiffly, they were soon pitching in with glee.

For example, when they were asked for ideas oo developing banks' cash-dispenser machines, a Franch avacutive stid. Through

Kenya computes a speedy budget

By MARY ANNE FITZGERALD

THREE YEARS ago John Akach was a filing clerk in Kenya's Milinstry of Finance. Three mouths ago he was busy cellating the 26,000 ltems that comprised the 1986-87 budget presented in June. Akach's rapid career advancement was triggered by the arrival of five Osborne microcomputers in 1983.

The decision to compu-terise, initially regarded with misgivings by mid- and tep-level bureaucrats, has set an example that augurs a change in pace throughout Kenya's ministries. Previously, statis-tics were compiled manually with the aid of a single main-frame computer.

te computer. The computers, funded by the US Agency for International Development, were introduced at the instigation of advisors seconded from the Harvard Institute for International Development. The following year 10 more computers were donated by the California-based Kaypro Corporation.

peration. For Africa, where many countries are maddle to furnish economic statistics that are less than two, sometimes three, years old, such computerisation is revolutionary. Yet desite obvious advantages, the move initially met with resistance from both civil corrents and wallifelium. civil servants and politicians.

civil servants and politicians. Computerisation is a politically sensitive issue in Kenya where, with a 12 percent unemployment vote, labour-intensive industry is actively encouraged.

The public relations breakthrough came last year when, for the first time, the budget was computerised. The exercise effectively demonstrated that computerisation, rather than costing jobs, expanded government employees' productivity instead.

Printonts of the budget

Printonts of the budget were printed and bound in a fortnight, a startling achievement measured against the yardstick of previous experi-ence. It was not unusual for previous bugdets to have taken so long to prepare and typset by hand that they were ready only just in time to be presented to parliament. Another key project implemented by the Finance Ministry last year was an ambitious review of individual ministerial spending with the object of pruning capital outlay on development. The tank entailed the midden of 14,000 budget from aggregating them in the explanding categories across 51 different budgetary reports in each of four budget years.

It was completed by Alach and a secretary in this day.

It was completed by Alack and a secretary in three days. Such an exercise aftermined with calculators stati type-writers would have required menths to complete. At the outset, stating pro-sented a problem. The mini-try was unable to aftract contry was unable to street con-puter managers on the salary being offered. Managerial skills are scarce in Kenya, and private sector firms pay two to three times more for equivalent posts.

requivalent posts.

There was also an image-problem. Bureaucrats at deputy under-secretary level and higher were reluctive to learn about computers because working with keyboards is regarded as a mental lob. Undaunted, the ministry turned to typics and closely such as Akuch. Alevel graduates were employed to truin uates were employed to tivin them on the computers and to

them on the computers and is write programs.

"Our secretaries are much more productive than, anyone in the private sector we used to farm out to. And now their bosses are peering over their shoulders and taking an interest in what they are do. interest in what they are doing," says Dr Clay Wescott, the Harvard adviser respensible for implementing the

program. Within a few weeks ministry personnel were produc-ing five-year district development plans, weekly exchequer returns and budget out-turn and project monitoring re-

ports.

During the 1984 drought, programmers developed models on microcomputers to estimate imported food requirements for each district, schedules for unloading ships and transporting food to depots, and the financial im-

depots, and the mancial implications of domestic grain shortfalls.

Other ministries, including the Office of the President and Planning and National Development, have begun to use computers to analyst budgets and monitor some 600 development projects. There are over 70 micro-computers in use in the finance planning ministries, including 16 district offices.

EEC spending

Tomato ketchup in the budget works price is right

By Tim Dickson in Brussels

The voting league table

"THE TOMATO pact just got stronger and stronger" was how oos EEC official put it, somewhat tougue in cheek after the meeting. That "pact" — broadly speaking the poorer, Mediter-

ranean countries such as Italy, Greece, Spain, Portugai aod Ireland (the last admittedly neither Mediterranean oor a noted producer of the red fruit)—has been widely blamed (and credited) in Brussels for the incooclusive outcome of last month's Council of EEC Budget

After two full days of nego-tlations (one stretching well into the early hours of the morning) member states were unable to agrea preliminary spending plans for 1987 and with a collectiva sigh of relief decided to abandoo their struggle until early September.

North/south divisions within the EEC and stalemated budget meetings in July, of course, are bardly new to seasoned Brus-sels negotiators. But the addi-tion this year of Spain and Portugal to the ranks of those member states which generally attach a higher priority to EEC regional and social spending that the social decision of the complicated the already tortuous Community decision-making process.



This is perhaps particularly significant at a time when efforts are being made to streamlina the administration of an enlarged EEC, ootably through the machinery of the screamling the administration of an enlarged EEC, ootably through the machinery of the Single European Act. Aimed at establishing a new structure for European co-operation, the "Single Act" contains provisions for more majority voting ootably during deliberations on unifying the internal market. The legislation still has to win the approval of most oational parliaments.

Last month's Decided in the Budget Council, who for the aecond six mooths of 1986 is Mr Peter to mooths of 1986 is Mr Peter to mooths of Erick Minister of the State at the Treasury. A Patient and courtees man to with (so it is said) an impressive grasp of financial detail even at 3 o'clock in the morning. Mr Brooke woon high marks for his performance in Strasboorg earlier this month when he skilfully asserted. unifying the internal market.

The legislation still has to win the approval of most oational parliaments.

Last month's Budget Council illustrated graphically thet there are now two roughly equal camps within the Community of 12—each with e substantial "blocking micority" and thus able to thwart the "qualified majority" required before a first Budget reading can be agreed.

In Brooke won high marks for his performance in Strasboorg earlier this month when be skilfully oegotiated the final stages of the 1936 budget (itself suddenly thrown back into the melting pot by the European Court's bistoric decision to declare an earlier version illegal).

This time, however, the challenge of reconciling the various interests proved too much for thim. In one corner (but occupy-

and this and the context of the cont

In the other corner were the Mediterranean countries deter-Mediterranean countries determined not to permit so called non-compulsory spending such as the social and regional funds, research and new programmes to be screwed down to accommodate the spiralling demands of the agricultural sector. (Within this camp there are subtle differences between the newcomers Spain and Portugal and the rest, while the Irish are considerably keener than their southern "neighbours" on the bounteous wealth of the Common Agricultural Policy.)

The hapless Mr Brooke was The hapless Mr Brooke was

unable to find sufficient support to clip a further Ecus 200m or so from the near Ecus 700m knocked off tha Commission's original proposals earlier in the proceedings by EEC ambassadors. This is occessary if ministers are to stick to "budget disciplina"—

mes dear to its own collective beart.

main targets in tha The main targets in tha search for a compromise were appareoutly Portugal (a tomato which turned greeo and ultimately voted with the budget hawks) Spain and Greece, which did not Greece was determined oot to let go of spending on the so-called Integrated Mediterranean Programmes (IMPs) while Portugal was strongly wedded to a tranche of agricultural structural payments. But as one close Council observer of the negotiations remarked rustully: close Council observer of the negotiations remarked rusfully:
"In the old days it was fairly easy to isolate one country and that was all you needed to get a majority. Now, there is a number of overlapping blocking minorities. Indeed, in trying to buy off Portugal, they went too far at one stage and alienated the French and Germans over an important detail."

Another official pointed out

Another official pointed out that Spain and Portugal acquired considerable negotiating skill during their brief baptism in the renewed 1986 negotiations and that as they become a property of the control of the contro become more integrated into the Community their bargain-ing position is bound to get

With relatively small sums to argue about—apparently just a few hundred million Ecus out of total proposed spending in the region of Ecus 35bn to Ecus 37bn-it is easy to assume that ministers will return from their summer bolidays in a mood of goodwill and compro-mise. Nobody in Brussels, however, is banking on it.

however, is banking on it.

Most significantly, with Community food "mountains" notably butter and beef) growing at an alarming rate and the US dollar showing little sign of strengthening against the Ecu, agricultural spending threatens to upset all other calculations and further increase its claim on available resources. The Commission has increase its claim on available resources. The Commission has already admitted that the Ecus 22.986m which it has pencilled in for 1987 farm spending will probably have to be revised upwards by around Ecus 700m and if the dollar fails to perk up—world agricultural prices are denominated in the US currency, which thus determines the size of EEC export subsidies—an even bigger correction will be necessary.

This, in turn, will reduce the amount available for social and regional speoding, a problem that might have been solved in the past by simply increasing the size of the overall budget. This time, bowever, even before the revised agricultural estimates, ministers are perilously close to the legal limit of resources implied by the 1.4 per cent VAT ceiling (a theoretical formula for national contributions based on that percent butions based oo that percentage in each member state of a commen basket of goods and services).

"Even at this early stage in the game we are talking about dividing up the cake, rather than simpy increasing its size," one British official coted. On top of all this, lie "discipluarian" camp will be anxious after and year's constiunical row with the Farlia-ment to limit as far as they can MPs room for manoeuvre.

Uoder the Treaty of Rome the draft budget has to be adopted by the Council (in time for the first reading in Parliament) before October 5—a deadline which ministers in the past have cut pretty fine, even to the extent of hammering oot the final compromise at 11 pm on October 4. It could be one of those years.

Making sure the

By Barry Riley

"In effecting a transaction with Market" area, where sponsor-"In ejecting a transaction with Market" area, where sponsoror for a customer a firm shall ing firms may an occasion have
take all reasonable steps to ensure that ... the transaction is How can they exercise a duty
effected on the best terms available, at the time the transaction circumstances? They could be
is effected, to persons generally
for transactions of the same certify that the stocks was being
tree and mature or the transaction
or proved fails. is effected, to persons generally for transactions of the same size and nature as the trans-action in question."

THIS IS the Securities and investments Board's "best execution" rule, which along with accompanying principles such as "know your customer" lies at the beart of the new framework of investor protec-

ion.
In terms of Stock Exchanga business, the requirement for brokers to deal to their clients' best advantage has long been incorporated in Stock Exchange rules, and indeed in agency law. But the principle has been comparatively easy to interpret in conditions of single capacity — with brokers and market makers strictly separated, and commissions

separated, and commissions fixed.

After Big Bang it will be much trickier. And the problems will be felt by fund managers as well as by brokers and dealers.

The easy aspect is that of small bargains in top grade equities. The Stock Exchange will divide the top few hundred stocks into alpha and beta securities, and firm prices will be displayed by market makers over the SEAQ screeo-based trading system in units of 1,000 shares (and in larger size, on a voluntary basis). Best execution in small

transactions io such stocks will therefore be e fairly mechanical matter of achieving the best price on the screen, and indeed this kind of bargain is likely to be chaonelled through the Stock Exchange's computerised auto-execution system wheo this starts up a year after Big

A broker can, therefore, pass such an order to his market maker with an easy conscience so long as the latter will match so long as the latter will match
the best screen quote even if
it is not his own. This is what
ofteo bappens in the US.
Where the problems begin,
however, is in large size transactions, beyond the scope of
the screen quotes and they
get worse with gamma stocks,
where any screen quotes will where any screen quotes will not only be meagre in oumber but will be merely indicative and will oot represent a com-mitment to deal at that price. Particularly acute difficulties are foreseen in the "Third

More generally in the gamma stocks sector, it could be risky for salesmen or agency brokers to deal extensively through their in-housa markat makers because it will not be possible to prove that the best price has been

obtained.

If they have hunted around for the best deal in a difficult market it might be prudent for them to keep records of what they have done — although that might be a counsel of perfecmight be a counsel of perfec-tion for busy brokers.

There is also the more subtle question of bow they should handle different kinds of orders—at "best," for instance, or limit orders.

Experienced brokers get to

know the requirements

Fund managers have emerged in a vulnerable position

different clients, and learn whether their clients expect the order to be executed there and then, or whether the broker is encouraged to exercise a "feel" for the market, perhaps waiting for a better buying or selling connectanity.



firm which stays reasonably close to the standard figure will feel safe against accusations. The same could apply to fund managers within the big new integrated securities groups, who will face demands from their traders to see much of the business but may worry that their investment elients will complain that best execu-tion is at risk. Should 60 per cent of business go through the in-house trading desk? Or perhaps 30 per cent? The fund managers would like to know. A little surprisingly, fund, managers have emerged in a vulnerable position because of vulnerable position because of the best execution rule. Until now, fixed commissions and single capacity in the London market have sheltered them, as they have sheltered brokers, from conflicts of interest over dealing. In any case, until now fund managers have been more or less unresulated

fund managers have been more or less unregulated.

Thus, fund managers will have a clear duty of best execution to their investment clients. One result, for example, is that they could be criticised for clumsy sales of large blocks of shares. They might be expected to be able to show they had fer the stock out carefully through several broking firms so as not to upset the market. to upset the market.

It is being argued in some quarters that agency broking—that is, dealing in securities as an agent for a commission—will continue to be important after Big Bang precisely because fund mangers will want to officed the responsi-

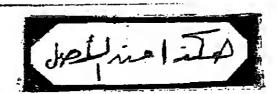
for the market, perhaps waiting for a better buying or selling opportunity.

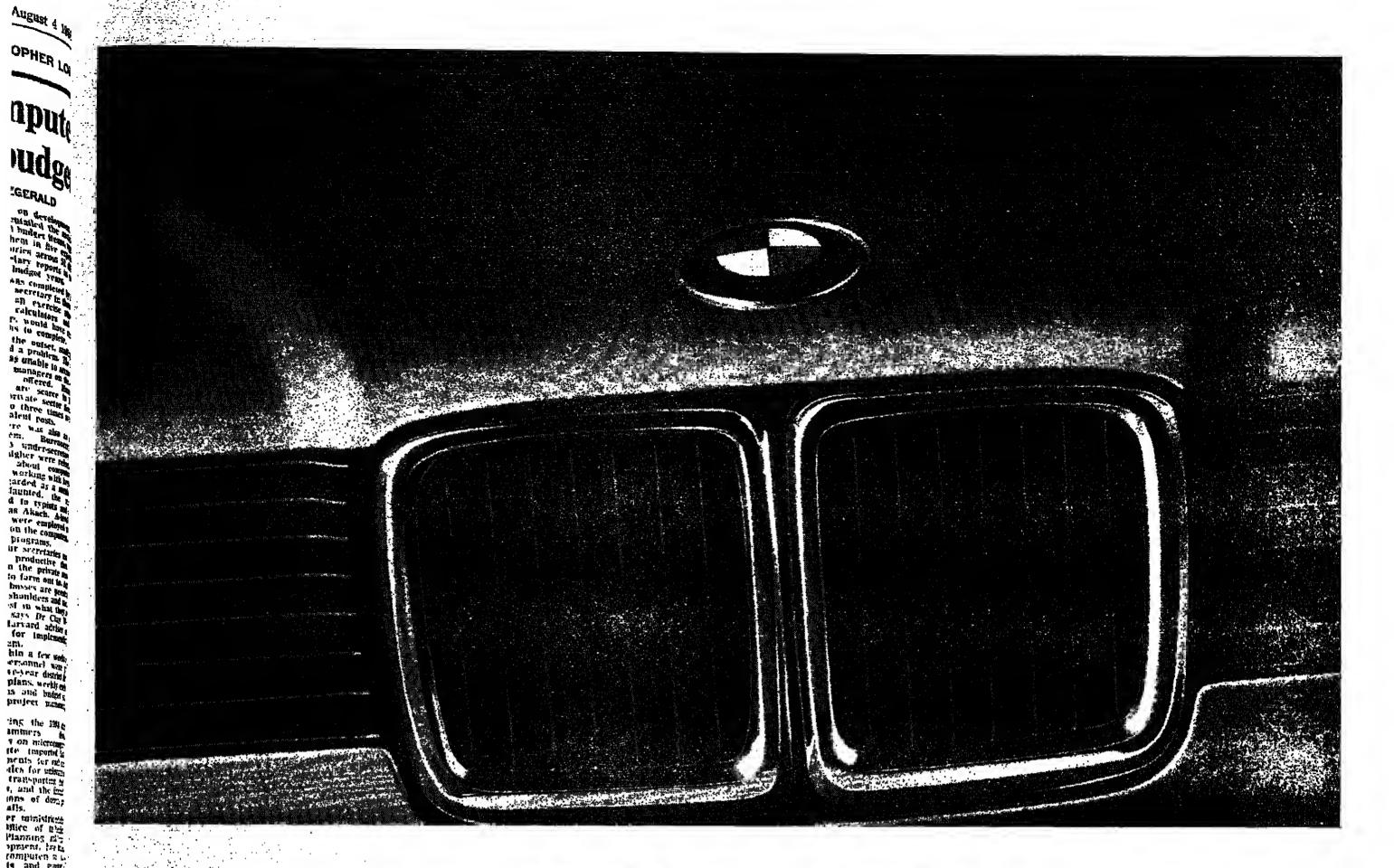
But in future it might be necessary to impose much more rigid procedures. Certainly that client will have considerably because fund managers will want to officed the responsibility for achieving best execution.

The alternative will be to deal directly with market who puts an order aside until after a long lunch will be much more exposed.

In general, however, it is unlikely that in practice brokers would be disciplined for particular single instances of failure to achieve best execution. The real concern would be over a persistent slight bias, in firms that failed to check out the market properly. Records of market quotations would exist to allow the farm's performance to be tested over a period of time.

One likely affect is that firms will keep close track of the amount of their trading inhouse. If a market norm is established, which could be sample of accidable sources will have made o sufficient controlly to be structured to survey the market generally so long as the sample is reasonably toide and the firm regularly replaced the firm regularly replaced





For indisputable evidence of success, look at the balance sheet.

1985 – a good year in every respect.

derriogent p are our hi there to eat e planning z

Automobile production went up by 3%.

Motorcycle production increased by 9%

Turnover rose by about 10% as well.

Pretax profits and the resulting taxes were once again higher than the year before.

The accounts for the 1985 business year represent renewed and impressive evidence of BMW's performance.

This success is based on farsighted Company policies.

To maintain this progress, and to enable BMW to enjoy continuing prosperity, forward-looking investment

decisions must be taken without delay.

There is no other way to cope with the accelerating pace of technological progress.

Investment in fixed assets accordingly rose by 60% in 1985.

Investing in tangible assets alone, however, is not enough: knowledge and skills

BMW performance data – 1985	11-2-	445,000 1 014
Production-automobiles	Units	445.233 + 3,19
-motorcycles	Units	37.104 + 9,1%
Group turnover (worldwide)	Million DM	18.078 + 9,7%
Workforce (worldwide)		53.925 + 3,8%
Investments (worldwide)	Million DM	1.376 +59,9%
Profits (before tax)	Million DM	1.029 + 0.8%

TOTAL (ECIOIO ME)			20111110111
Summary of annual accounts	(BMW AG) 1985	1984	
	Million DM	Million DM	
Balance-sheet total	6.573	5.907	Turnove
Fixed and financial assets	2.592	2.411	Cost of
Liquid assets	1.793	1.436	Cost of
Stocks and receivables	2.188	2.060	Other e
Capital resources	1.920	1.770	Taxes
Provisions	. 2.942	2.515	Allocati
Liabilities	1.711	1.622	Dividen

	1985	1984
	Million DM	
Turnover	14.246	12.932
Cost of materials	7.891	6.915
Cost of labor	2.918	2.793
Other expenditure and income	2.483	2.166
Taxes	729	695
Allocation to reserves	150	175
Dividends	150	150

The full annual accounts of Bayerische Motoren Werke AG and the BMW Group up to December 31, 1985 in accordance with § 329 of the German Companies Act (AktG) have been given an unqualified auditor's certificate and will be published in the Federal German Gazette.

Payment of the dividend of 12.50 DM per 50 DM share, as decided upon by the Stockholders' General Meeting on July 3, 1986 can be claimed immediately from the payment offices stated in the complete dividend announcement published in the Federal German Gazette No. II9 dated July 4,1986, on submission of profit entitlement certificate No. 36 and subject to deduction of 25 % capital earnings tax.

Munich. July 1986

are just as vital if the company's technological lead is to be maintained.

New recruitment, therefore, accounted for an increase of almost 4% in the workforce, including training positions for the young.

Thanks to these measures, and the continuity in company policy, we are extremeley well-equipped to face the future.

BMW is therefore in a position to introduce the new products, and design developments, year after year which provide an essential stimulus to the automotive scene, and in this way to consolidate and increase its share of the world market.

1/21 1/21

A moving, controversial decision

We live in stirring times. The popointment of a youthful and any technological advaoce.

This is not an srgument for the post of Director of the National Gallery bodes well for the development of that institution. It is a particutarly interesting appointment hecause it an approximation and his vision for magnington magazinc bas absolutely no gallery experience. The has been appointed because if the quality of his mind and magningtion and his vision for the future of the collection.

The important thing is that eppointment of a youthful and bighly original candidate, in the form of Mr Neil MscGregor, to the post of Director of the National Gallery bodes well for the development of that institution. It is a particularly interesting appointment hecause Mr MacGregnr, as editor of the Burlington Magazine has abso-lutely no gallery experience. He has been appointed because of the quality of his mind and lmagination and his vision for the future of the collection.

The important thing is that he represents a break from the institutionalisation of the arts. Although he will work as a civil servant—he comes with an unfettered mind to a post which, I bope, he will develop into the visual conscience of

Like many of the nation's museums and galleries the National Gallery has a role beyond the mere acquisitinn of pictures and RT facts. There is a need for more active research policies end the lively promotion of scholarship. There is also a need in all public galleries for them to be the Outward and visible signs of an inward, spiritual artistic grace. This is extremely hard to achieve but must be the aim of any director of any institution devoted to the visual arts.

After a long period of gross sterility the architectural profession has slowly realised the need for their crestions to be ectively beautiful. It has been the pressure of the public which has opened its eyes, that bas forced the profession to developm respond, it has been a more facilities. difficult battle to ensure that architects respond to the riches of the insensitive 1960s when of bistory, understand context

union for the profession—but as a new base for the national development of the understanding of architecture.

RIBA's proposals for the transformation of the Institute's headquarters are redolent of the 1960s when the creation of "lively centres" was a panacea for professional inadequacy. It would be better to put the curator and his best drawings on television from time to time.

Watermlour.

The local sources of architectural history are the sparking plugs of architectural interest and excitement among the general public. Any Open University student or television viewer would welcome the smsll exhibition of the raw msterial of architectural knowledge, and more co-operation with smemity societies at a scholarly level would only enhance the whole profession.

"many faceted snd exciting families in high-rise flats" and plan in the spirit of our time." bas only achieved the support of There seem to be two key balf of the institute's own elements to this scheme—the return of the brilliant Drawings Collection, currently beautifully boused some five minutes from the Institute, to the morgue-like beadquarters, and the development of the cetering

centralisation and the turning of and create new buildings thet orthodox institutions into soare original without being alien. called lively "centres" was seen out commensurate gain to the lection than to concentrate the creative understanding of as the panacea for professional listitute as a whole."

Any dreariness in the centre.

Mr Rollend proposes the transformation of the Institute's headquarter's building in London's West End into a "welcoming and lively public already been described by one this the PIRA has pragred.

library committee, The lack of supprot for the balf-baked and costly plan to uproot and bureaucrause the Drawings Collection does not seem to worry the president and bis council. It is shocking that the president sees fit to say that it is the absence of the Collection that "has im-poverished the sessionel pro-

profession.

After their summer holidays the President of the RIBA and his members should seriously consider e more imaginative and less destructive approach to the whole question of drewings and architectural source and arentectural source material. I am certain that no donor would want to promote the conceotration of professional navel-gazing that the centralisation of all the RIBA's resources in London apparently encouraged in the president's report.

It would be wiser to look again at the whole question of the communication of srchitectural knowledge. It would be better to put the curetor and his best drawings on television from time to time and to fund more staff to interpret the colBuxton Festival/Rodney Milnes

The Buxton Festival, on the cusp of its tenth year, is approaching a crossroads as yet unfurnished with sign-posts. Over the years it has built up enormous reserves of good will, and indeed respect for its sober, hard-pressed artistic direction. Its achievements are recognised, grudglogly here but with proper enthusiasm in the Europesn musical press. It is a perfect festival town: If the westher is kind, which it was this weekfunding for the Brinish Architectural Library as a whole "—but at what a terrible cost.

Instead of occupying its present fine premises in Portman Square the collection will appear to be a second as any print or man square the collection will be a second as any print or man square the collection will be a second as any print or man square the collection will be a second as any print or man square the collection will be a second as any print or comparatively deprived area.

Yet it still fails to a second and find the second area. end, there are few nicer places direct grant from the Arts

Three pages of the programme are devoted to acknowledging commercial sponsors and private covenanters: the festival survives. But the capriciousnes of sponsors was famously demonstrated last year when a sudden withdrawal meant that the opera programme had to be scrapped and replanned et eight weeks notice. This year was slightly different. Fundraising obviously has to con-tinue up to the last moment: they had their programme, but couldn't tell until late on how efficiently they would be able to execute it. In the event they just about scraped through, but a proper guarantee of public funds would have made all the difference, the difference between well-meaning effort and solid echievement. One is starting to wonder how long Buxton can survive on good will alone.

Both of this year's operas suffered from late-stage penny-pinching. Ariodonte is one of the few Handel operas demend-ing both a chorus and a ballet; the event, neither could be afforded. The compromise of playing the dance music in the intervals for the audience to chatter through was not a happy one. The Purcell/Dryden King Arthur, a piece requiring the services of a theatre, e dance and an opera company that only a well-heeled festival could possibly mount, was also hamstrung: there were only executrix of "Fairest Isle")
three ectors, no dancers (a and Steven Page (Cold Genins)
well - meaning "movement stood out. Berry Banks
group" was frankly no substi- (Grimbald), for economy's sake group" was frankly no substi-tute) and a dangerously overtute) and a dangerously over-stretched group of soloists doubling as chorus. The essen-sort of medal for bard work.



James Bowman and Meryl Drower in "Ariodante"

tial spectacle was inevitably

With an eye-one must overtime. Dryden play was savsgely cut, so that the work emerged as an ill-organised opera with too an ill-organised opera with too much dialogue rather than as a plsy with musical interludes fulfilling a well defined function. All this meant that Alan Bates, a Derbyshire man making his first visit to the festival, had far too little to do in the title part other than stand looking varuely cross stand looking vaguely cross while the rest of the cast milled around him. When he did get the opportunity to wrap him-self round Dryden's slyly witty text, he showed that his evebrows are at least as eloquent as Dirk Bogarde's, if not Denis Healey's. Very slightly more is

Indeed, it was one of the Indeed, it was one of the singers, Philip Mills, who did best by Dryden, flinging the villainous Osmond's lines out with feerful abandon. Lucy Gutteridge mixed pathos and comedy adroitly as poor blind Emmeline, and among the singers Eileen Hulse (Cupid), Dinah Harris (Nymph, end executrix of "Fairest Isle") and Sieven Page (Cold Genins) stood out. Berry Banks

The action, seen darkly through a thickly painted gauze, was capably enough organised by Maicolm Fraser within the limits of the budget; I especially enjoyed the first glimpse of our sceptred isle gnmpse of our sceptred fale as a sea-girt grove populated by tiny satyrs (children come comparatively cheep), Fay Con-way's brightly coloured cos-tumes brought distinct pleasure at a time when so much opera is seen in black and white is seen in black and white. Anthony Hose was the sound

Black and white struck back

with a vengence (costumes some way after Beardsley) in Isn Judge's production of the Handel, over which it would be handel, over which it would be kindest to drew e gauze even thicker than the ona that shrouded King Arthur. Suffice it to say that a production of Artodante in which the bern has to sing "Scherza infida", that exquisite lamenr with baseers while Polinesso. soon obbligato, while Polinesso end Dalinda execute slow-motion "simulated intercourse" on e circular bed centre-stage has gone very, very seriously wrong indeed. Ariodante and Ginevra were established merely as operetta charecters in the first act (she in a hubble bath at curtain-rise): one couldn't give a damn what bep-

with dignity intact: James Bowman (bugely anthoritative as Polinesso), Meryl Drower (irrepressibly stylish as Delinda), and Christopher Delinda), and Christopher Gillett (Lureanio); the duel for the lattar pair was one of too few moments to remind one just few moments to remind one just how sensitive eod parceptive Mr Judge ean be on the right night, Rosa Mannion (Ginevra) continued to show anormous promise, and Eirian James, considering what she had to do (carrying on ilke a goal-scoring footballer after "Dopo notte" was not, perhaps, a good idea), had o most creditable stab at the title-role. Given the anties on stege, it was understandable on stege, it was understandable that Mr Hose failed to find the heroic strength of the score with consistency. Da capos fell like corn before the harvester. In brief, one of the grossest indignities suffered by Handel in recent years—and boy on boy, has there been competi-

Among the drame offcrings wes Cheek by Jowl's exhibitation ing staging of Twelfth Night on which our drama critics will doubtless report when it reaches London early next year. In the circumstances, this gave rise to further dark thoughts about the widening gap in standards between theatre and opera pened to either of them.

From amid the wreckage one or two singers emerged direction, A festival of Buxion's catholicity can only serve to reinforce them.

A forum for young composers

The Lerchenborg Music Week has been running annually for almost a decade, the brainchild of Louise Lerche-Lerchenborg who has brought together performers end composers in her ancestral home at Lercbenborg, some 100 km west of Copenhagen, for a weekend of performance and discussion. Last yeer, the festival had an Anglo-Danish flavour, with the Arditti Quartet in residence to play a best of pieces by British play a bost of pieces by British and Danish composers. This year the theme was reversed: the performers were Danisb and the visiting composers British in the persons of Simon Bainbridge and Harrison Birtwistle.

The atmosphere at Lerchenborg is a remarkable one. Danish composers attend in force, led by the elder generation of 1b Norholm end Per Norgard. There were at least two dozen there for most of the weekend and I have never see weekend, and I have never seen an equivalent number of British composers gathered together in one place. The mixture of seminars, workshops, discus-sions and concerts is intensive, given sessions in which they yet it ell takes place in a re-laxed and informal way, for which Louise Lerche's enthu-siasm end encouragement must be largely responsible.

This year events did not quite go eccording to plan. Illness caused the cancellation of one caused the cancellation of one concert, and with it the performances of twn of the three bit mood, concentrating upon some of the younger composers beinhridge works originally scheduled. While the string quartet hired for the weekend, the Stenggard Quartet found the demands of Bainhridge's scores by Arvo Part and was in nignly expansive mood, concentrating upon some of the younger composers are getting formances with a some of the younger composers. London performances with a regularity their predecessors tity Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composers are getting transfer are getting to mood, concentrating upon present gave an opportunity for rather more discussion. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composers are getting to form a first extensive mood, concentrating upon present gave an opportunity for rather more discussion. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composers are getting to five more discussion. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composition. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composition. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition. He had recently seen some of the younger composition. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition of the younger composition. Identify Fointing, a set of five solo instrumentel pieces interleaved and overlepped to make a composition of the younger composition.

other worksbops on Birtwistle's Pulse Sompler for oboe and claves and Deown for soprano

Danish and British musicians gather for a new music festival at Lerchenborg. near Copenhagen

and clarinet, the formula was much more sucessful beceuse the musicians involved — the Swedish oboist Helen Jahren and the soprano Marianne Lund — were well prepared, so that the composer was able to illuminate the background to the works in much greater detail. could talk about themselves and introduce tapes of their works. Bainbridge gave e potted survey Bainbridge gave e potted survey of his career from the 1976 Viola Concerto to the recent BBC-commissioned Fentasia for double orchestre, while Birtwistle was in highly expansive mood, concentrating upon Sithury Air and Secret Theatre, but the same sine tables of the concentration o

Norgard and Hans Abrahamsen, in which a number of mildly In which a number of mildly violin, viola and piano bad a contentious issues were gently nicely sustained slow centre, tossed around, without raising but surrounded it with music backles or drewing blood. The final concert of the week-

end brought performances of Bainbridge's First Quartet (not at all characteristic of his cur-rent work, though a new string queriet had been originally promised for the occasion), Rirtwistie's Deowa, Pulse Sampler end Clarinet Quintet, and Abrahamsen's highly accomplished end striking Second Quartet which had been commissioned for Lerchenborg in 1981, es well as the premiere of Norholm's Lerchenborg Acrostic, a setting for soprano and string quertet of en ecrostic written in an idle moment during the festival last yeer by the British critic Paul Griffiths.

some of the younger composers

Clerinet Quartet rather beyond them, so that workshop sessions devoted to the two works had to be concentrated on rehearsing basic technical problems rather than shedding light on the compositions themselves. In other workshop sessions white notes," while at the age generate the kinds of teosions and contrasts one might have composed a piece for melody in a selection of pieces prescribed the compositions themselves. In and of The Mask of Orpheus in group of young Danish instructions of the seeds of the seed of much less certain intention or ecbievement.

> The important thing for the young Danish composers, bow-ever, was to get the perform-ances and to be eble to discuss their problems with their peers and senior colleagues. Lerchen-borg provides the ideal forum for this; in Britain the nearest equivalent would be some of the Society for the Promotion of New Music's events, but they rarely attract the senior figures who were much in evidence here. I'm sure it fosters much here. I'm sure it fosters much more of a sense of a creetive community than composers have in Britain, and perhaps the effects on Dunisb music are beginning to be seen here, too:
>
> composers like Abrahamsen mental music, from the eerliest pieces to the last; be was such compulsive arranger and rebe British critic Paul Griffiths. beginning to be seen here, too:
> But two concerts of music by composers like Abrahamsen
> ome of the younger composers and Poul Ruders are getting

strument and mime; evidently the seeds of bis music theetre and of The Mask of Orpheus in particular were sown et an early age. Because of the cancellation the proportion of talk to music was probably higher than usual et Lerchenborg — another round-table discussion involved Birtwistle and Bainbridge with Norgard and Hans Abrabamsen, in which a number of mildly violand plane bad a violing as chorus. The essent sort of medal for bard work. In which a number of mildly wild in a selection of pieces presented by en eccomplished group of young Danish instruct mentalists which included effine flautist in Anne-Lill Ree and violist Gert-Inge Anders of fine flautist in Anne-Lill Ree and violist Gert-Inge Anders of flute and viole proved a carefully calculated collection of ministures with a clear text bayling stopped brass, ecrid wind, and central vision of Franz List last Thurs-odies. Best's Time Sharing for flute, wildling as chorus, The essented by en eccomplished group of young Danish instruct mentalists which included effine flautist in Anne-Lill Ree and violist Gert-Inge Anders of flute and viole proved a carefully calculated collection of ministures with a clear text bayling stopped brass, ecrid wind, and central vision of romantic regret. "Purgatorio," romantic regret. "Purgatorio

rersary of bis death, tral music, and even the most From Bayreuth, where be died purely "orcbestral" of his solo on July 31 1886 efter attending a performance of Tristan, a concert including the second piano concerto and the Faust Symphooy was relayed on television across Europe. At home, it was a Liszt day on Radio 3, and the Proms paid their own tribute. The season's last concert at the Wigmore Hall, before the August holiday, was also a Liszt celebartion, and the finale too of the Songmakers' Almanac

tenth enniversary series.

Liszt was hugely prolific in many genres, including song—although song does not, by and arranger that genres blend and boundaries blur. Some of his greatest piano pleces, such es the Petrarch Sonnet no 3,

purely "orcbestral" of his solo piano music, the voice stands as guardian and arbiter, balancing the counterpoint, shaping end moulding the

It was, thankfully, one of those Almanac evenings into which Graham Johnson's verbal collations (very well delivered on this occasion by Richerd Jackson) intruded tactfully and with restraint. It was a stroke of genius to include one of Liszt's melodramas: a pieno accompaniment of the purest gothick kitsch attached to the recitation of a poem by Nikoieus Lenau — extraordinary, and oddly affecting (in how many purely instrumental works of Liszt, after all, does the spirit of melodrama invisibly hover!) To include Berlioz's "Spectre de la rose" was somebow apt — Litszt himself, with bis inimitable blend of enthusiaism and humility, would have been the first to part in fostering their coofince and public personas.

Andrew Clements

| Street plant pieces, such es would have been the first to
the Petrarch Sonnet no 3,
started life as vocal setungs.
| "Die Drei Zigeuner" is essentially a song in whatever Walker, Thompson, Davenport)

August 1-7

NEW YORK

New York Philharmonic: On the Great Lawn in Central Park, Leonard

Bernstein conducts a programme of Bernstein and Tchaikovsky with so-list Glenn Dicterow, violin (Mon).

WASHINGTON er Festival (Concert Hall); Re-

mains the same, viz. highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performance Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark.

CHICAGO

Ravinia Festival; Beaux Arts Trio.
Haydn, Shostakevich, Rachmaninov (Mon); New York Philharmonic cooducted by Leonard Bernstein. Bernstein, Tchaikovsky (Tue); Christopher Hogwood conducting with Michael Bilaon forteplano. Mozart, Haydn (Wed); Chicago Symphony conducted by David Zinman with Itzhak Perlman violin. Rossini, Bruch, Sarasate, Ravel (Thur).
Highland Park. (728 4642).

Stanislav Bunin (piano): Haydn, Mo-zart, Schumann, Chogin, Hitomi Hall, Showa Women's College, Sang-

Dominic Gill

The Proms way of celebrating Liszt Day was yet another example of the intelligent proample of the intelligent programme planning that seems particularly to mark this year's schedule. Liszt was the great speculative intelligence of 19th-century European music: virtuoso performer, prolific producer of his own music and enthusiast for that of other men. traveller, edantor, absorber of traveller, edaptor, absorber of vast tracts of European literature and visionary into the musical future. In Thursday's two consecutive concerts—the London Symphony under James Conlon, preceded by Simon Preston's early-evening organ recital—almost every one of those creative dimensions wes et least suggested, and a lifelike Liszt portrait emerged from the double experience.

The LSO selection of Liszt orchestral music was festively unhackneyed, and therefore especially illumineting of the occasion. As concert opener we heard the *Two Legends*, in orchestral versions of the more familiar plano pieces only re-cently returned to light (this was their first London outing). To enyone who knows the solo pleces reasonably well, the new perspectives offered by their orchestra re-clothing promote, in turn, fresh insight into e composer hardly equalled for his ebility to re-think and re-form musical inspiration (his own and other men's) into alternative performing guises.
"St Francis of Assisi", sounded on gentle concord of winds and limpld divisi violins, gains a whotly new "interior lighting": does it also lose a degree of musicel consistency cogency? and

musicel consistency and cogency?

An extension of the same thoughr and compositional processes came thereafter, with the Schubert/Listz Wanderer Fonday for piano and orchestra. The Schubert original is boldly drawn out on a grand sound canvas; but in terms of the dramatic tensions that a Schubert solo pianist can explode out of the very fibre of the notes, more is finally lost than won—a single piano cen he terrifyingly insistent, and a plano-with-orchestra simply cannot. But the large, caim body of tone and the perfectly adjusted style of Jorge Bolet, who was in superb form and who is currently matchtess in this repertoire, worked its pwn mapner in compensation. Orchestral support more oloscly attuned to his particular ways in commanding the instrument would have wurked even more. After the interval Conlon, a determined advocate of the two Liszt symphnnies (as his recent Erato recordings attest), returned to conduct the rarer of them—the Dontz—in a performance of consideroble sensitivity, understanding, and accomplishment, "In-

understanding, and accomplish with viewent. The first movement, "In-Sitkovetsky.

rather more difficult to bold to-gether in its slow pace, halting statement, and diaphonous instrumentation, exposed passing insecurities in all the LSO string department; but in the final Magnificat the Finchley Boys' voices floated down from the highest tier to achieve en exactly-judged effect of scraphic

radiance.
It's e work at ooce grand in conception and unequal in execution—was there another 19th century composer of similar stature who could so often be both, in the course of a single large-scele work?
The Preston orgen recital,
delivered with tremendoos
authority and penache, bed seemed to force concentration on this question. The gigantic sonic thunders and grandiose peeling choreles, the endless chromatic slithers end contrapuntal ingenuities out of which both the BACH Prelude and Fugue and the "Ad Nos" Fentasy end Fugue might be said to be mede, certainly stun innocent ears into exhausted submission. The reminder of the hollow, unsatisfying side to Liszt's creetiva persone was probably necessary, but on this occasion it wes also slightly

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\$21.0E

ر سر پیپائے

Max Loppert

The Northern Sinfonia under Wilfried Boeticher visited the Albert Hall on Friday for a mostly-Mozart Prom (which included a most eleganty turned and finely shaded account of the C mojor Piano Concerto, K415, by Imogen Cooper). The insertion laio the second half of George Benjamin's A Mind of George Benjamin's A Mind of Winter (1980-81) for soprono and chember orchestra, which the composer himself conducted,

violinist ...

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Dated 4 August, 1936

WORLD TRADE NEWS

GLOBAL COMMENT DAILY IN THE FT

Arts Guide

Music/Monday. Opera and Baffet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arta ap-

Music PARIS

David Simpson, cello, Noelle Spietle, harpstchord: Geminiani, Bach, J.C.E. Bach, Soler, Boccherini (Moo 7pm). Auditorium des Halles, 5 Porte Saint Eustache. Infenietta de Picardie conducted by Alexandre Myrat: Shostakovich, Mozart (Thur 8.30pm). Saint-Sever-

in Church.

All these concerts are part of the Paris Festival Estival. Taped information in English round the clock (4764 9080).

LONDON

Donohoe, plane. Royal Albert Hall (Wed 7pm).

BBC Philharmonic Orchestra conducted by Edward Downes. Shostakovich and Tchaikovsky. Royal Albert Hall (Thur).

European Community Youth Orchestra conducted by Eliahu Inbal with Michel Berof. piano. Ravel, Liszt, Beethoven. Konzerthaus (Thur). NETHERLANDS

National Youth Orchestra of Great
Britain conducted by Mark Elder.
Debussy and Messiaen. Cynthia
Millar, ondes martenot, and Peter
Volksoper Orchestra conducted by
Ernst Maerzendorfer. Schubert,
Strauss, Arkandehof (Tue).



Amsterdam, Westerkerk. Ursina Caf-lisch, Organ. Bach, Widor, Alsin, Re-ger (Mon). (24 77 86). Amsterdam, Oude Kerk. Organ reci-tals by Willem Vogel (Tue) and Vin-cent de Vries (Wed).

VIENNA

Jexander Jenner, piano. Schubert, Chopin, Debussy. Laxenburg palace

FINANCIAL TIMES SURVEY

Monday August 4 1986

Voil and Gas Exploration

The fall in prices has forced the oil companies to cut development budgets and re-examine their strategies just when more finds are needed.

Cutbacks bring risk for supplies

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state of world supplies.

Most obviously it proclaimed that oil is once again in abundant supply and that the Organisation of Petroleum and jackets for North Sea rigs. Exporting Countries (Opec) has lost its power over the oil market, perhaps for coveral to increase.

Jacob With 2,200 a year earlier.

In the north east of England and Scotland, the full force of the storm has yet to hit the yards which fabricate modules Organisation of Petroleum and jackets for North Sea rigs. When it does, calls for an easing of the tax regime are bound it increase.

weakened,
This process has been seen
by many commentators as tha
more or less benign operation
of the price mechanism in a
market which has been under a
cartel for far too long, Lower
prices would bring demand and
supply back into halance by
stimulating the world economy,
and hence the demand for
energy; by making oil relatively
more attractive than competing. mergy, by making oil relatively more attractive than competing, fuels, and by reducing the incentive for oil companies to develop new sources of supply or pump oil from the most expensive of existing wells.

or pump oil from the most herent in the process of exploration, so that it would be foolish.

Major cutbacks in capital aspenditure announced by almost
every oil company have caused world outside the Gulf states,
little alarm, and surprisingly perhaps in the far north.
little comment outside the industry. The Texas companies
which summly drilling and other remains the richest area for
equipment are already suffering, emploration as well as holding

THE COLLAPSE of oil prices acutely, with worse in store this year in a wild swing from This summer the Hughes Tool \$30 to \$10 per barrel has given count of rigs operating in the perversely optimistic signal to most oil consumers about the use of world supplies.

In the north east of England

Lower oil prices appear to have stimulated at least some increase in consumption by motorists and companies with the capacity to switch from the use of gas to ski. If lower prices are failing, discovery of new sources of oil has been getting to be sustained for a year or two, a significant further shift back to oil might well occur, while the stimulus to invest in exploration and energy conservation. Would be much welkened,

This process has been seen graph to flatten in recent years.

graph to flatten in recent years.

The Shell paper observes;
"This fall in the discovery rata has occurred in spite of the many considerable advances in the industry's technical capability, notably seismic, where today's systems are 10 to 50 times more effective than a decade ago. This decline in rate is also in spite of the increase in the number of exploration wells drilled in recent years."

Of course, surprises are in-Of course, surprises are in-herent in the process of explora-

reserves. Most of the more accessible parts of the non-communist world have been examined by geologists, so that chances of finding a large cheap supply comparable to that of the

By Max Wilkinson, Resources Editor

North Slope of Alaska or the Brent and Fortles fields in the North Sea do not seem to be

During the next 10 years, therefore, the cost of finding and developing new oil sources is generally expected to rise at an increasing rate. In the North Sea, for example, developments more advanced techniques for According to a survey by the extracting small quantities of New York-based Petroleum oil from difficult strata, or Analysis, the average expendi-

day, or about three times the cost of North Sea developments in 1975. Oil from the Gulf will then be much cheaper at a little over \$20,000 per b/d in invest-ment costs (at 1983 prices).

It is clear therefore that the incentive to invest has been dramatically reduced just et a time when the cost of replacing In the mid to late 1990s will be reserves as they are used up is in deeper water or will require rising steadily, even steeply.

> Any major new discoveries are likely to be in much more hostile waters to the north and Exploration Wells Drilled Far East west where new and unproved technology will be required. Exploration in the continent of Australia bas yielded no further major oil fields after the discovery of the Gippsland Basin fields in the Bass Strait.
>
> Exploration in the China Seas Near East Europe North Africa Central & South Africa

has been very disappointing.
Elsewhere, oil companies have had to weigh a combination of environmental and political hazards which have tended to diminish the attractiveness of exploration.

This reflects tha facts that

new oil finds in the North American continent are tending

to be smaller, while prospects elsewhere in the world now seam less bright than they did

a few years ago.

The North Sea oil fields, for example are in a mature phase.

The fall in oil prices has therefore forced most oil com-panies not merely to cut ex-ploration and development budgets by 30 to 50 per cent, but to undartake a fundamental re-examination of their strate-



The rig Polar Pioneer is towed through the Suez Canal en route from Japan to Bergen to begin a five-year contract with Norsk Hydro. It is the biggest object to have negotiated the canal

sharp decisive reaction of very largely on speed; main-Exxon, which announced a taining bigh momentum on pro-26 per cent cut in capital jects was the critical factor. expenditures this year from a planned \$8bn and e 15 per cent reduction in its workforce, to the much mora cautious stance of Royal Dutch/Shell, which emphasised the need for continuity in its exploration pro-

gramme.
As Mr Clifford Garvin,
Exxon's chairman, succinctly
remarked: "At \$10 to \$15 per barrel it is simply not as attractive to look for oil as it was before. Moreover, companies that do the looking are going to bave less money to do the job." Shell has tended to emphasise the need to keep up the momentum of exploration es much as possible by cutting costs and finding new and

cheaper engineering solutions

This has ranged from the development, tha emphasis was

mora cautious epproach to de-velopment will result in deferments and perhaps a large reduction in annual capital onting industry is already working to the oil industry's advantage, with costs for hiring rigs end fabrication pushed dramatically companies which beve prepared to the oil industry's advantage, with costs for hiring rigs end fabrication pushed dramatically down by competition and over-

assets from competitors more overburdened by debts may certainties of exploration. So far the major companies in a position to do the buying bave been biding their time in the expectation that companies with distressed cash flow will come under greater pressure to sell.

For the stronger independent companies with operations con-centrated in the upstream ends of the business, greater inte-gration into the downstream either by merger or acquisition must begin to look relatively more attractive.

From several different points of view, therefore, exploration is likely to be under pressure. Large low-geared companies with an eye to a future recovery of oil price will undoubt-edly keep exploring, but they may divert some resources to

Small, highly-geared inde-pendents ere unlikely to be able to afford to explore much even where they see excellent prospects, end the indepen-dents with less debt, besides fol-lowing a prodent capital arlowing a prudent capital ex-penditure plan, may well coosider diversification out of up-stream oil. British Petroleum's decision to spend some \$500m buying into the US animal feedstuffs industry may provide an exampla for such companies.

All these varied decisions will be viewed against the generally rising cost of finding and exploiting oil reserves, and an accepted wisdom in the industry that oil prices may remain below \$18 to \$20 per barrel for several years while rel for several years while most Gulf states remain under strong pressure to maximise

taining bigh momentum on projects was the critical factor. In the present climate, the priority is cost and by adjusting our approach significant savings are possible."

Though Shell emphasises that exploration will remain the "seed corn" of the group's future, it seems clear that the mora cautious enproach to desupplies. This could bappen at any time within the next five

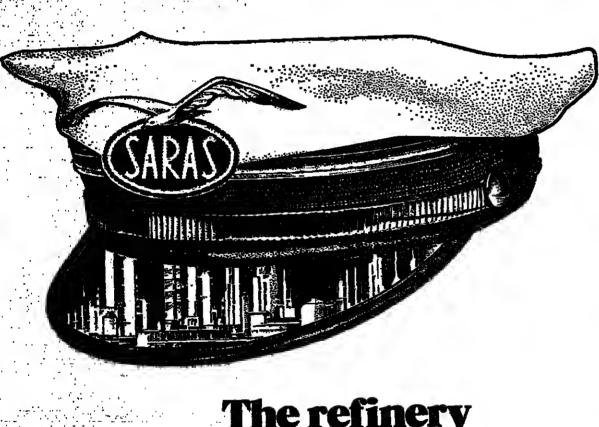
r six years. Meanwhile, the greater the duction in annual capital ont-lays. The distress of the supply-larger the cuts in exploration

supply.

In Britain, there beve already been claims of "dumping" of oilfield equipment by US companies anxious to recover marginal coxt in the North Sas for developing reserves.

As Mr Bob Reid, chairman ginal cost in the North Sea.

of Sheli UK said recently: "In the earlier stages of North See placing oil reserves by buying timing of the next recovery.



The refinery at your service

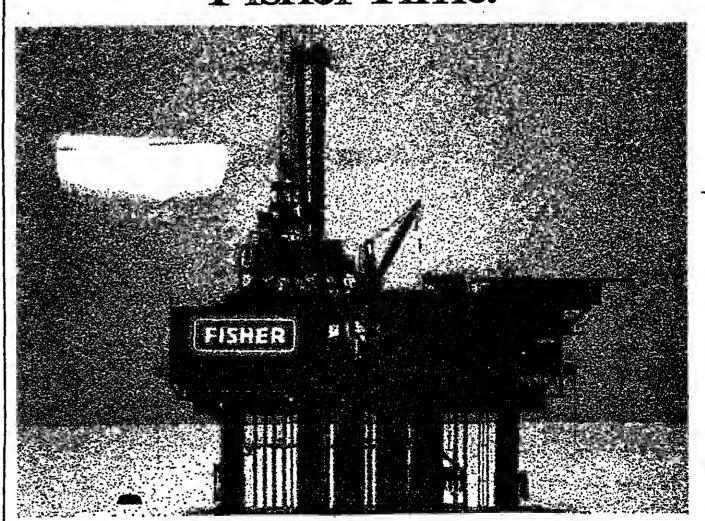
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Supply and Demand on the Continent in the UK * New Indigenous Production Other Indigenous Production Frigg & Odini

North Sea

Rigs standing idle

ANYONE WANTING evidence of the extent of the damage caused by the fall in oil prices to activity in the North Sea need only walk along the beach at Great Yarmouth or Aberdeen and count the number of great steel rigs standing offshore waiting hopelessly for something to do.

At the latest count, there were about 40 ldle rigs in the North Sea, compared to five a year ago. There is now less exploration and appraisal work going on than at any time for the last three years.

When the offshore industry last went into recession in 1983 it was smartly restored to bealth by a package of tax against which to offset exploration to the last the effect.

it was smartly restored to bealth by a package of tax changes, which bad the effect of making the Government pay for about 80p of each £1 spent on oil exploration in the North Sea. From near paralysis activity sprang back to record levels within a year.

Such a dramatic recovery

Such a dramatic recovery this time is inconceivable. While the industry is bleating for further fiscal incentives perhaps a package of measures to lower the rate of PRT and to remove the ring fence so that all development costs be-come offsetsble against PRT— the Government appears unlikely to take any such radical step. But even if it did, it would not he able to reverse the decline caused hy a drop in the oil price of more than 60

The consequences of lower oil prices on activity are probably only just beginning to show now. The movement was so sharp and mexpected that it took the industry some months to react with substantial

while activity in the North
Sea in the first half of this year
was well down on 1985, during
the second balf it is going to

be much lower still.

Last year Lasmo was planning to participate in 26 wells in the North Sea during 1986. Its budget has now been cut in budget has now been cut in gas discoveries in the North quences for activity in the North balf, with about 13 wells drilled by the end of the first half, some of which it was too late as Andrey, Amethyst and be some casualties in the pro-

THE US\$60bn Troll/Sleipner

gas salas deal looks set to estab-lish Norway as Europe's largest

gas exporter.

It was signed in June between
Statoil and a European consortium led by Ruhrgas AG of

West Germany and including BEB and Thyssengas of West Germany, Gas de France, Belgium's Distrigas and Gasunie

of the Netherlands.

Deliveries are expected to begin in 1993, but some concern has been expressed that the economics of the deal hinge on an oil price of US\$30/barrel.

The total volume of gas lavolved is 450 Bcm. Deliveries in 1002 will be the concern the second part of the concern that the c

in 1993 will start at a level of 4 Bcm/year, reaching 20 Bcm/year in 2000. The first supplies are likely to be from Sleipner as Troll is not expected to come on stream until 1996.

As a result of the contract, Norway will nearly double its

of the Netherlands.

bave collapsed as the income against which to offset exploration costs has been cut by two

The large cuts in exploration budgets already announced by nearly all companies operating in the North Sea may well be followed by still larger ones. The first round was based on oll price assumptions of about \$15 to \$20 a barrel for the rest of the year, a forecast which many companies have now replaced with a lower range of \$10 to \$15, and some believe even that might prove too high.

The only sector in which drilling is still going ahead on any scale is in the Southern Gas basin. This is because the prices that British Gas is paying for its supplies have fallen modestly hy comparison with the plunge crude oil prices, and drill-

ing for gas now seems a rela-tively profitable exercise. In the rest of the North Sea most of the current drilling is for commitment wells for which there is some reasonable chance of finding a respectable amount of oil. In the case of wells where prospects are poor the Department of Energy is becoming increasingig willing to relieve companies of their com-mitrantic.

Troll Field

Gas deal is signed

Operator for the first phase of Troll development will be Norske Shall, They will install a 30-well platform in 1,100 ft of water in the eastern part of the

46 Tef reservoir. Development of the western part of Troll, which also contains 320m barrels of oil, has been delayed

tern structure contains carbon

There are two possible pipe-line routes. The first is through the 36 in line to Frigg. By the

However, gas development will scarcely keep the offsbore fabricators busy, as the size of the gas structures is relatively small. A typical Southern Gas Basin jacket costs £7m, com-pared to about £50m for the jacket ordered for the Tern

How companies cope in these difficult times depends more than anything on their size. The major oil companies are pro-tected by their downstream interests, by their wide geographical spread of acreage and strong balance sheets.

While even the largest com-panies would eventually bave to pull out of the North Sea altogether were oil prices to stick at \$10 for ever, on any reason-able bope of recovery the majors will want to keep a toe

in the water. Both BP and Shell presented a conference of energy economists meeting in London last month with a view of the North Sea which if not exactly optimistic, was not uniformly pessimistic either.

Mr Robert Reid, chairman and chief executive of Sbell UK, said: "We sball certainly do what we can to keep up a reasonable level of exploration work. I find it difficult to believe that a histus in explora-tion and appraisal drilling will be allowed to last too long."

Mr Basil Butler, a managing director of BP, forecast a modest recovery in oil prices and pointed out: "The planning lead time for most of our activitles is five to 10 years, and I find it hard to believe that between now and then prices will not recover significantly, although perhaps not to the

mitments.

Meanwhile, development is going ahead fairly smoothly on gas discoveries in the North Sea, with a series of large pro-

per cent to 24 per cent by the existing Stapipe/Norpipe system to Emden.

to Emden.

The second possibility would be a 36 in, 228-km pipe to Sleipner, and then a 38 in, 829-km pipe to Zeebrugge, Statoil is still keeping its options open for a posible route through the UK sector and a future UK deal, using the Frigg-St Fergus line. barrels of oil, has been delayed until there is an improvement in the oil price.

Ona fixed platform is planned for Sleipner, which is expected to go on stream in 1993. The deal vetoed by the UK government would have involved three platforms. Total reserves in Sleipner are 190bn cum. Initial development will be centred on the eastern 50bn cum. The wes-St Fergus line.

There are still several issues to be tackled. Troll straddles four blocks and two licence areas, requiring the resolution of unitisation on Troll, and an extension of the licence period for Troll partners until the year 2020 when the supply agreement expires. The task will be further com-plicated by Norsk Hydro's plan to use Troll gas for injection

into Oseberg. Hydro plans to install a five-well subsea system, the Troll Module, in 1,000 ft of water in the eastern part of the reservoir. It will draw some 70m cfd of gas during 10 years. There is still no clear picture bow Norway's new taxation will affect the economics of Troll. But clearly, government fears that Europe's largest offshore field would be uneconomic with-

ont them, forced the tax changes through. There is still a question whether the huge influx of Norwegian gas on to the European energy market will depress prices. The Troll/Sleipner deal is unusual for Norway in that it is based on a supply rather than a depletion basis, and tied to an indexation formula.

For Gas de France Troll/ Sleipoer gas will be pegged 40 per cent to heavy fuel oil, 35 per cent to domestic fuel oil and 25 per cent to the French inflation rate minus 1 per

cent.
The Troll/Sleipner deal eases The TroH/Sleipner deal eases Western Europe's reliance on future gas imports from the Soviet Union, at least temporarily. The interest expressed by southern European countries, particularly Spain, in buying Norwegian gas, indicates Norway's penetration of Algerian gas is cheaper to produce than Norwegian, and there is little reason to assume that the two countries will not step up competition and depress prices.

Some of those casualties will be in the offshore supply indus-try, which is already feeling the desperate to rent them on any terms at all to avoid paying the maintenance and insurance costs

of leaving them idle.
Rigs are being bired in the North Sea at daily rates of about \$10,000, about one sixth of prices reached in the late 1970s.

The other casualties are likely to be the small UK independent oil exploration companies, which are dependent on the North Sea and whose on the North Sea and whose revenues have fallen sharply so that they have not emough cash to meet their obligations, and borrowings are escalating alarm-

ingly.

In any but the most optimistic In any but the most optimistic view of oil prices, there can be scant future for these North Sea small fry. Neither are they likely to be rescued by the larger companies, as their modest stakes in the smaller many marginal fields comand more marginal fields com-bined with their weight of over-heads must make them un-attractive to the majors at almost any price.

The most likely route to sur-

vival is a wave of mergers between the independent com-panies, to build more stable robust emities.

Such upheavals and the lapse in exploration and drilling activity in the North Sea may have serious consequences for the 1990s whan oil from producing fields starts to run down. The immediate prospect for North Sea output is almost unchanged by the drop in the oil

Even with oil below \$10 a barrel, the major fields more than cover operating costs, which are easily in single figures. Almost regardless of what oil prices do over the next three years, North Sea oil pro-duction will be almost unchanged, although towards the end of the decade the effects of investment not made now will begin to show.

The oil price will have to rise a long way before this poor exploration picture thanges. Most of the oil yet to be found in the North Sea is in small and marginal fields that probably need an oil price of more than \$20 a barrel to become viable.

The ontlook for development is nearly as grim as for exploration, with most of the projects which looked promising last year now firmly back on the shelf. As recently as last summer when operators were look-ing with some confidence at an ing with some confidence at an oil price of \$27 a barrel, stock-brokers Wood Mackenzie forecast that new fields containing some 2bn barrels of oil would be brought on stream by the early 1990s, involving a total capital expenditure of more

than £8bn. Now such forecasts look far wide of the mark. According to figures hy the Institute of Fiscal Studies, of the six major

The lull in development

Norway

Dismay over tax changes

THE NORWEGIAN Government's proposals to change the North Sea tax structure were greeted initially as a step in the right direction. But the oparators' organisation NIFO was quick to respond that it was unhappy with the government's suggestions.

Even though the oil industry

ment's suggestions.

Even though the oil industry regards the country as the "last big oil in Europe," the general feeling about the future is that "you still bave to swallow hard before going into Norway."

The new concessions are expected to come into force in January 1987, if approved by Parliament in the autumn. There are four principal changes:

• International companies will no longer have to carry state interest (through Statoil) during exploration. Norwegian companies bave been exempt from this ruling. Savings for the foreign companies as a result of this concession could be US\$130m over the next four

years.

• Royalties (presently 8 to 16 per cent) would be abolished on future developments, but there has been no move to ease royalty payments on present production, or developments in

progress.

Depreciation allowances would start from the first year would start from the first year of investment instead of the first year of production as today.

The 1980 "special tax" will be reduced from 35 per cent to 30 per cent. But this concession could be effectively cancelled out through changing the rules for nplift, an investment allowance against the special

allowance against the special Tax, for new investments. NIFO says the positive ele-ments in the changes will apply only to future fields, and the first of these to come on stream will be in 1993. Changes are needed today, it says, and critises the government for not keeping to promises made in 1975 and 1980 that the tax struc-ture would be changed for the better if the economic situation

indicated.

The new rulings only re-The new runness only redistribute the tax burden over more profitable fields, NIFO claims. The abolishing of uplift could mean losses as much as NKr 1-1.4bn (10°) over a 10-year period for certain fields or companies, NIFO says.

Ten-dollar oil spells trouble for Norway's offshore industry, where field development costs are about US\$20 a barrel. This new fields which were due to be developed shortly only one is profitable with oil at \$15, let alone at \$10. Just as everywhere else in

The lull in development activity is therefore hardly surprising. Only two new oil developments are going ahead on schedule—the Shell/Esso Eider and Tern fields which should start to produce at the end of next year.

Lucy Kellaway

Lucy Kellaway

oil industry wit to it quirk or buman nature:

"If you show an accountant a drilling rig, he sees a big lump of metal which costs a lot of money to construct and costs a lot of money to run. If you show him a seismic programme, all he sees is a pile of paper."

Nevertheless. developments

all he sees is a pile of paper."

Nevertheless, developments are continuing. BP expects to produce the first oil from its 200m barrel Ula field in September, six months ahead of schadule, at an initial rate of 26,000 b/d. BP says the cost of the project is NKr 8.6bn, down some NKr 1bn from its first estimate. BP is still evaluating the development of Gyda, which holds 150m barrels, and is probably a marginal project.

Norsk Hydro intends to continue developing its oil dis-covery off Haltenbanken, and its plan to inject Troll gas into the Oseberge reservoir. All partners now approve the gas injection plan, it says.

Companies have until October

Companies have until October to submit applications for the 11th licencing round, when acreage in the Barents Sea will be on offer. The price of a data package with 12,000 kms of seismic for acreage in the Barents Sea between 72° and 74°N, NKr Sm. gives a preliminary illustration of the costs

to be expected. The failed merger between Saga and Elf Norge has been one of the chief preoccupations of the Norwegian oil industry

Saga has most of its assets in the Gullfaks and Oseberg fields, which are yet to be de-veloped, and are marginal at the preent oll price. Elf with its Frigg production is one of the giants on the Norwegian oil scene. At a 15-dollar oil price, Saga's assets have been estimated at 70bn (10') NKr, at a \$20 price they are 100bn (10°) NKr.

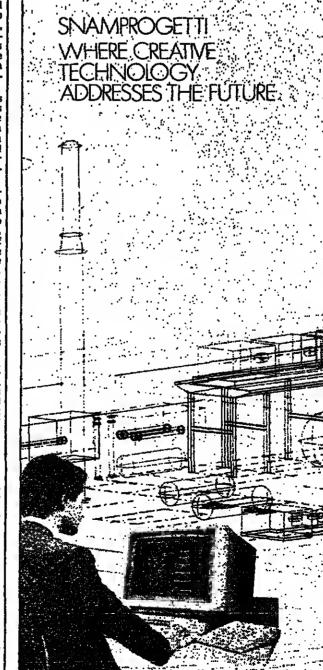
Saga still has to find some US\$200m to fund its North Sea investment programme over the next four years. Norsk Hydro has declared an interest in expanding Saga's working capital by NKr 500m, but not, they say, in taking over.

As Saga is Norway's third domestic oil company, after Statoil and Norsk Hydro, securing its financial and independent future is regarded as a topic of importance for most of Norway's politicians. The Conservative Party (Hoyre) has any effort by the government to the company independent.

It says it is sceptical about any approaches from Norsk Hydro, or even Statoil, which could lead to a merger between Norwegian companies. The search for white knights con-

Maria Kielmas





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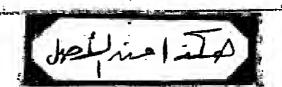
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More pleas for aid

THE PRICE collapse has for the government to carry neutralised a revival in part of the risk on Hibernia, to canada's oil industry. With the see that the development goes removal of restrictive government is see that the development goes forward.

The Federal government included back to the early 1900s when Rockefeller and his Standard Oil bought up all the pipe-fell.

Section 1

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The Conservative government scrapped the four-year-old National Energy Program, which restricted prices, which restricted prices, markets and foreign invest-ment. It also introduced the phasing out of the Petroleum Incentives Program, designed to encourage frontier exploration in the Arctic and offshore.

The new measures were designed to deregulate oil and gas. prices, eliminate the government's back-in on frontier exploration, bring in tax and royalty cuts over the next three years, and make tax credits in frontier exploration successivather than performance—motivated.

But the price slump has left companies clamonring for bigger and faster tax incentives and loan guarantees from the government, and a postponement in gas deregulation. Canada's provinces are also bickering with one another over which one needs government help most.

ment neip most.

In Alberts, which produces 90 per cent of Canada's oil, only some 37 out of a total of over 500 available rigs are working. The expectation is that even this figure will decrease. Exploration programmes have been cut by 75 to 80 per cent and companies' cashflow halved.

of Alberta recently introduced a C\$200m aid programme to increase industry activity. It is intended to subsidise development drilling, well servicing and geophysical work but to benefit from the package, a company must have cash flow.

Nick Taylor, president of Lochell Exploration and leader of the provincial Liberal Party, privinciant. of the provincial Liberal Party, criticised it, saying it would help "only a well-beeled com-pany."

Nor is the aid package likely to assuage the call for tax cuts. Companies have been urging Mr Marcel Masse, the new Federal Energy Minister, to speed up the end of Patroleum Gas and Revenue Tax (PGRT), some 10 per cent of revenues. This could boost the producers' flagging budgets by C\$700m' but will again only henefit the top 52 who actually pay PGRT, out of a total of 2,000 producers.

In ther drilling in the Beaufort.

Other players in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further drilling in the Arctic are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery. Esso plans to spud one further are suspending their plans. Debt-laden Dome Petroleum dropped plans for a delineation test on its Adlartok discovery.

The National Energy Program gave Canadian companies very definite advantages to pursue high-risk exploration, and to incur considerable to pay off loan interest to a bank, or in the case of larger the country, is unlikely to gather many supporters outside the oil industry.

But the Federal government is giving the impression of bowing to industry pressure ment of the Hibernia field. Located offshore Newfoundland, the Mobil-operated field holds reserves estimated at 1bn barrels. The Federal and Newfoundland governments finally approved a Hibernia develop-mant plan costing C\$20n, and stipulated 22 conditions.

Hibernia will be the only major new field in Canada for the next few years. Project economies were calculated using an oil price of \$20-\$25 when it comes on stream in 1992. Following the price fall, the chairman of state-owned Petro-Canada, a 25 per cent partner in the field, was quoted as saying that it makes good sense

cated it would guarantee C\$1bn of the debt on Hibernia. This has not gone down well in Alberta where the gestire is viewed as the government playing politics with unemployment. Newfoundland'a long-term unemployement is over 'm'. term unemployement is over 20 per cent but not regarded as oil industry related.

tional onshore industry is. For the same investment in Western Canada, two or three times as many jobs would be created, and assist the oil industry at the same time, the producers

Another line of thought is that if the government has to support frontier projects, it should do so in the Arctic regions, and develop the infra-

close down Arctic operations or makes two or three times more leave them in the hands of the out of it than do the producers major companies. Reserves in the Arctic region are estimated to be as high as 10bn barrels. There are already pipeline facilities at Norman Wells which tie into the national grid. Development of Hibernia would require the construction of a completely independent system.

Gulf is drilling its third delineation well on Amauligak but, despite the field's promise, says it has no firm plans for further drilling in the Beaufort,

Falling crude prices are also complicating Canada's gas deregulation, due to come into force on November 1. Supply and price controls on crude and products were removed in June last year.

created for the producers was a lack of pipeline capacity on the Interprovincial Pipe Line system to eastern markets. The creation of an attendant secondary spot market, as pro-ducers sought to fill any spare pipeline capacity, further depressed prices.

Producers in the past sold their gas to pipeline companies, which in turn resold it to disgas decontrol, as well as the problem of pipeline trans-mission companies becoming carriers, decontrol at the dis tribution end is not complete.
David Hicks, president of
Wester Petroleum, comments:
"The producing indostry supports deregulation, but in its

But Nick Taylor is not all impressed with decontrol The free market process, he argues, will result in smaller companies, already suffering disproportionately from the

suaded the federal government to allow them to aeli gas to tha deregulated US market, at The government claims that Hibernia development will create 10,000 jobs in Newioundland. The Alberta producers dismiss this, saying that the offshore oil industry is not labour intensive but their traditional onshore industry is. For it makes again, the electorate in Canada tional onshore industry is. For industry is western market again,

With budget cuts and job losses making a gloomy picture even gloomier, the oil industry is hoping that the question of security of snpply will be raised, and persuade the Government to adopt a more industry-friendly position.

Enlightened self-interest is a In the opinion of some, dismantling of the PIP will either miles whisky—the Government or suppliers. They'll come round eventually."

Offshore Contract Drilling Companies (\$m)

THE THE	LEASURE 1284	on year	net profit					OU Age.	'
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378.6	406.6	- 6.9	(220-0)	(94.9)	-131.8	290.6	515.1	-43.6	
288.7	421.3	-31.5	(63.9)	26.1	-279.3	397.0	483.0	-17.8	-
	198.4	+37.3	3.8	4.2	- 9.5	579.0	379.1	-10.0	
236.7	329.2	-28.1	(83.2)	18.7	-545.0	321.3	532.5	~39.7	
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Drilling at lowest level

tion indostry is in danger of imminent collapse, and with it will go America's hopes for Number energy self-sufficiency and pro-tection against oil blackmall by foreign suppliers," warned Mr Ned Simes, president of the International Association of Drilling Contractors (IADC), in a recent letter to President The slarm in Mr Simes' appeal to Mr Reagan underlines the scrious difficulties now being experienced by most of the major drilling companies in the US. Four years ago the industry was prospering like

industry was prospering like never before: operators were ordering expensive new equip-ment with the help of generous

"THE DRILLING and explora-

delicate negotiations with their increasingly nervous bankers. increasingly nervous bankers.

Mr Russell Luigs, chief executive of Global Marine which was one of the fastest-growing offsbore drilling companies before it was forced to file for Chapter XI bankruptcy earlier this year, says that more equipment is idle than at any time in the industry's history.

Drilling size with now con-

Drilling rigs with new con-tracts are working at severely depressed day rates due to in-creasingly intense competition for relatively few joba. In late April Global Marine reported

Onshore the story is much the same although the financial pany to explore in the lower 4: sums are not quite as borreo- states of the US, which is when dous. Less than a fifth of Parker the bulk of US oil exploration sums are not quite as borren-Drilling's fleet of land-hased drilling rigs are working and Mr Robert L Parker, the company's president, saya that in the current environment "all you can do is keep as many good people as possible and continue to pare down the comtinue to pare down the comtinu pany." Parker's speciality is drilled would drop by a third

48 to 15.

Louisiana is the second most

industry was prospering like never before: operators were officiation, according to lor who adds: "Oil is sky—the Government or or three times more than do the producers lers. They'll come entually."

Ist 6 months 1986 ... 1,131

Ist 6 months 1986

ODECO plans to increase its to fall. Mr Bob Horton, chief market solare by picking up executive of Standard Oil, said recently that at an oil price of at distressed sales. sense for the average oil com still takes place.

According to a recent study pany. Parker's speciality is deep gas drilling, a sector of the market which has been particularly hard hit because of the collapse in gas prices and the current US gas surplus.

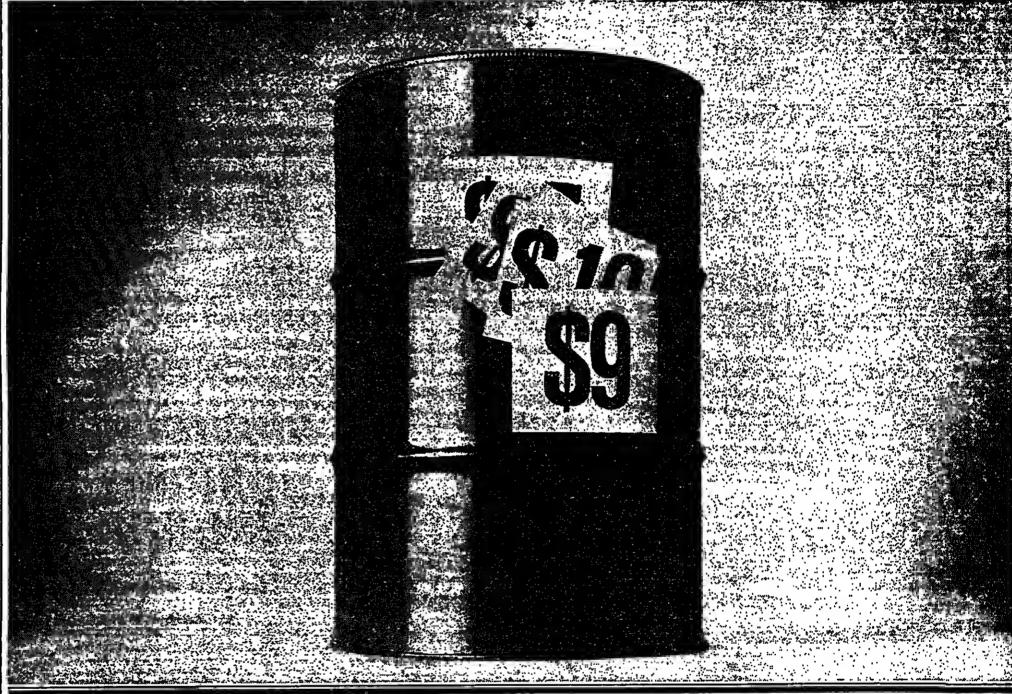
Hugh's Tool's weekly rig count figures are one of the most closely watched hardmaters.

Hugh's Tool's weekly rig count figures are one of the most closely-watched barometers of the bealth of the US exploration industry and the latest figures underline the areas which have been hit hardest by the slump in oil prices.

The biggest single area for onshore oil and gas exploration in the US remains Texas, but exploration activity has dropped off dramatically over the last 12 months. In mid-July there were 211 rigs operating in Texas, compared with 659 rigs a year ago and the number of offshore rigs is down from 48 to 15.

Louisians is the second most

that given the rise in consum-tion and the decline in produ-tion and exploration in the U-the current oil glut overhangin



THERE'S NEVER BEEN BETTER TIME TO TALK

These days, companies in the oil and gas industry have but one major objective.

To generate cashflow and restore

Having reviewed their strategies, some are acquiring exploration and production interests.

Others are initiating farm-outs and disposal programmes.

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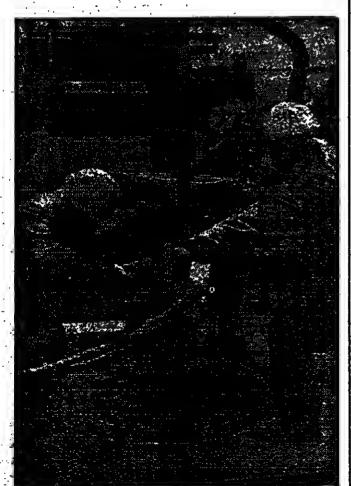
In the meantime, if you'd like more information about the range of services, simply call Michael Boyd on 01-928 2000.

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Drilling in the North Sea's Forties Field. The international glut of oil has forced a worldwide fallback in drilling activity.

Price curb on projects

a third of that in Kuwait or half that of the United Arah Emirates. Early in the current crisis, the University of Alaska suggested that if the price of oll remained around \$13 per harrel, 50,000 jobs could be lost

in the next decade.

However, as in the Gulf states, the oil boom attracted an influx from outside; some 30 per cent of Alaska's residents have

counterparts, they will leave.
Those who remain can be consoled by the size of the "Per-Those who remain can he consoled by the size of the "Permanent Fund," initiated by the state in 1976, in which oil revenues were invested. This is now valued at more than \$7hn and the annual allocation of funds has been as high as \$1,500 recently came on stream, is losing money. The development is also heset with reservoir problems and a royalty rate of 20 per cent rather than the normal rate of 12.5 per cent. The higher rate was agreed by the operator in 1969 in return for the retention of the leases that prices will provide the required stimulus in the Select in the Bering Sea, is drilling in the Bering Sea, is another negativa factor. Exton recently withdrew its hids made in Sale 92, and the select in the Bering Sea, is drilling in the Bering Sea, is another negativa factor. Exton recently withdrew its hids made in Sale 92, and the select in the select in

Alaska's production, now aome 1.9m barrels a day, up 5

15

for as long as prices cover opereting costs.

Mr Robert Wycoff, president of Atlantic Richfield, said last March that Prudhoe Bay was "some of the last production we would shut in."

According to state and oll company officials, production would continue, for a restricted period, for technical, macroeconomic and political reasons, even if the price were zero. moved to the area in the past
In sharp contrast, Conoco'a
four years. Now, like their Gulf
Milne Point field, which only recently came on stream. is

that would otherwise have expired a decade later. aome 1.9m barrels a day, up 5
per cent this year, is higher than that of many Opec states, is two-thirds of the projected including Nigeria, Kuwalt and the United Arah Emirates.

However Alaska's modest

However, Alaska's modest pooed.

The low prices have not being depleted repidly and are high cost. Moving oil to the Gulf of Mexico costs some \$8.50 per barrel and any new developments would require a price well into double figures.

The low prices have not stopped the continuing development of two new fields: Standard-Exxon's \$2bn Endicott field will come on stream in December next year, and will peak at 100,000 h/d, in 1988, while Arco's Lisburne field will commence prodoction later this

Non-OPEC Oil Production Forecast (\$18perbarrel) so

MORTH PETETSOUTH ENROPE HITTERAFRICA PAST

ALASKA, WHICH is more dependent on ooe industry than any other state in the US, and produces nearly 22 per cent of the country's oil, has much in common economically with many OPEC countries.

The state administration, which loses \$150m for everyone dollar fall in the crude price, relies on oil for 85 per cent of its revenue and more than a quarter of all households depends directly or indirectly on oil.

The population of 520,000 exceeds that of Qatar and is about a third of that in Kuwait or

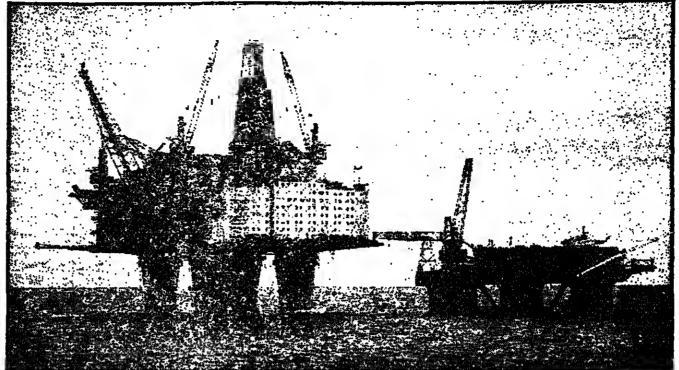
climate, the emphasis is being placed not on exploration hut on development. Arco, for

on development. Arco, for tha first time since the original North Slope discovery, has no further major projects in either the design or construction stage. Although the West Sak find could be more prolific than Prudhoe itself, current economics mean that work is loopfined to planning studies. confined to planning studies. Shell is reluctant to proceed with development of its Seal Island find and disputes with environmental groups, over drilling in the Bering Sea, is another negativa factor.

run, a decision by the Federal authorities to allow significant exports from Alaska could add an extra \$10bn to federal and state income to the end of the

Mr John Herrington, the US Energy Secretary, donhtless mindful of the strength of the maritime lobby, is keen to pre-serve its US flag requirements on cargoes shipped to US des-tinations. He believes that discussions will begin only next year.

Philip Algar



Statfjord B. The Statfjord field, biggest in the North Sea, holds 3bn barrels of oil, 225m barrels ot natural gas liquid and 2,000bn cu ft of gas. It is producing more than 700,000 barrels a day

Deep sea drilling

More UK licences offered

to be something of a dead

However, in the tenth round of UK offshore oil and gas licences announced last month, about a dozen blocks are being offered in deep water frontier areas. The Government takes work should go shead in these areas to ensure that enough new production is brought on stream to replace existing fields as they run down in the 1990s. While Mr Buchanan-Smith,

Energy Minister, concedes that the attractions of deep sea drilling have been damaged by the fall in oil prices, he expects nevertheless, that oll companies will take a long-term view and put in bids for this acreage.
Events have changed radically since the ninth round, in

which 44 deepwater frontier blocks to the west of Shetlands were among the most sought after of the blocks on offer.

Since then the fall in the oil price from \$30 to \$10 played havoc with operators' sums. On the ninth round acreage in the North See companies are dragging their feet, and while slesmic work is still going ahead, plans to drill there are being pushed hack. In the Gulf of Mexico. Shell is pressing ahead with its plans, although many of the other wells may never be drilled,

The only part of the world in which drilling in deep waters seems to have been unaffected by the fall in oil prices is off the coast of Brazil, where the state-owned Petrobas in its need for hard currency continues to

search for oil.

However, on any but the most pessimistic long-term view of energy prices, deep water development is unlikely to be abandoned altogether. The water the conditions are particularly poor,

AT A TIME when the fall in oil price is threatening the sales of deepwater acreage in search for and recovery of oil in the best locations, one might have expected the special problems faced by drillers for oil in deep water was more than 2,000

At about the same time lease world's deepwater slope areas may be half as much again as the total extent of the shelf all of the year—between May and the total extent of the shelf all of the year—between May and the total extent of the shelf all of the year—between May and there are only three months of the year—between May and the total extent of the shelf all of the year—between May and the total extent of the year—betw

soom barrels of which more than a tenth is in deep waters. The ordinary chain mooring systems of a semi-sold using a remote maintenance vehicle, which operates without the help of divers. By nical problems for the explorer, using a lighter combination of the rig. By nical problems for the explorer, wire and chain the mooring the rest ten years. However in the past ten years wire and chain the mooring great technological strides have becomes more effective.

heen made, and the record for the deepest well drilled is continually being broken. The latest record holder is Chevron, which has recently drilled off the coast of Spain to e depth of more than 8,000

What counts as deep water is changing all the time; whereas in the early 1970s the deepest that any company had vectured was 300m now depths of less

estimates the total amount of oil recoverable offshore is about 800hm barrels of which more deep waters. The ordinary chain

Currently there sre two North Sea rigs fitted with comhination mooring, each capable of drilling in depths up to 600

For deeper waters still, the drilling vessel can be held in place by propellors operated by computers which respond to reflectors placed in the well-head. This so-called "dynamic positioning" has been used for some time in drillships, and has more recently been applied to semi-submersible rigs, which are more stable than drill ships

in rough waters.

A secood major problem with drilling in deep water is the drilling riser, which runs between the rig and tha hlow-out preventor on the reached. out preventor on the sea bed.
In deep water the riser is subjected to greater forces

than in shallow depths, and to

prevent it from buckling it needs to be supported at the top and bottom joints. Effective methods of support have been davised recently using syn-tactic foam and an air can flotation system.

The stock of vessels suitable for drilling in deep waters has been hit by the recession among the offshore contractors. About two years ago when excitement over deep sea drilling was high there was a rush of orders for deep sea rigs, nearly all of which have now been either postponed or can-celled. According to Mr Cliff Simpson, general manager of drilling at BP, lack of equipment may ect as a serious brake on deep sea drilling when ex-ploration activity starts to pick

While the technology for drilling in deep waters is now proven, systems for getting the oil out have yet to be tested. Millions of dollors have been spent on research by oll com-panies and contractors to devise ways of producing oil in deep

The conventional platforms used in shallow waters employ-ing jackets or gravity structures are not suitable in deeper waters, and most of the pro-posed schemes consist of an unmanned platform below sea

best tested engineering project to data is Shell's Underwater Manifold Centre (UMC), which has been operating successfully for two years. The UMC is now installed in just 500 feet of water in the Cormorant field in the North Sea, although could be adapted for usa in deeper

It consists of a base structure through which template wells are drilled, with a tie-in point for satellite wells. The UMC collects oil from the wells and delivers it to the surface.

It also mainteins the valves and other controls on the mani-

producing oil in deep water, the size of the find has to be very much larger than shallow water discoveries to make development worth while, A recent survey by Standard Oil shows that operators need re-serves of three to four times the size to justify the exploration and development costs of drilling in 2,000 metres of water compared with 300 metres.

At present oil prices no find is likely to be large enough to justify the expense. But the terms on most of the leases are long — about 10 years. Long enough to admit the possibility of a dramatic rise in oil prices. of a dramatic rise in on prices as well as such advances in technology to make the dis-covery and extraction of oil from deep waters cheaper and

Lucy Kellaway

. . . .

acilic was nii & Gas - Prices, Investment and the Business Outlook Hong Kong, 25 & 26 September, 1986

This year's FT energy conference, focussing on the Pacific Basin, comes at a time of depressed but uncertain oil prices. The economies of the oil and gas programmes of the region have changed and producing countries, energy companies, banks and plant suppliers are having to work in a dramatically different environment. The speakers at this important conference include: -

Ir Wijarso Dept. of Mines & Energy, Indonesia

Mr Dick van Hilten Shell Companies in Singapore Mr Peter Gaffney

Gaffney, Cline & Associates Ltd Mr James Adamson Chase Manhattan Bank NA Mr Eugene McCarthy

The World Bank

Mr Paul Ravesies Arco International Oil and Gas Company, USA

Mr Zou Ming China National Offshore Oil Corporation (CNOOC)

M. Pierre Vaillaud Total Compagnie Française des Pétroles

Mr Chote Sophonpanich Bangkok Bank Limited Mr Tatsu Kambara

Japan National Oil Corporation Official Carrier CATHAY PACIFIC =

Wytch Field

£265m plan to boost output

NEARLY 70 years ago, residents in Kent must have been substantial changes were made dismayed to hear that coalmining, a notoriously "dirty"

industry, was to start in the heart of their county, the of removing the oll from the legendary "garden of production areas. The favoured contion is to away it by a buried legendary England."

Today, nobody questions the force of Kent's three surviving coal mines and most people outside the county learn with outside the county learn with surprise that far from being industrial relics they are England's newest coalfield. When they do arouse concern, the issue is not their presence but the fear that they might have

the fear that they might hava
to be closed down.

Three generations later, the
intrusion of another "dirty"
industry into another heautiful
corner of England suggests
strong parallels with the first
coalmining in Kent.

This is the development of
tha Wytch Farm oilfield, in
Poole Harbour, Dorset, and the
Isle of Purheck peninsula
fianking its western shores.

As Western Europe's largest
onshore field, with more than
200m barrels of reserves, the
Wytch Farm field is a national
resource too valuable to Ignore.
But in the 1980s the power and

But in the 1980s the power and sensitivity of public opinion mean that environmental considerations dominate every stage of its development.

Discovered in 1974, the field has been operating successfully

biscovered in 1974, the field has heen operating successfully since 1979. But five months ago, BP, as operator for a group of six companies, applied to Dorset County Council for permission to spend £265m on raising its output from a modest 5,500 barrels a day to 60,000 h/d. together with an increased together with an increased amount of associated gas. The development, for which

The development, for which 16 separate planning applications have been made, will require the drilling of ahout 50 new wells, hringing the total number to about 75. A new well sita is needed on Furzey Island but otherwise the new wells would be drilled on existing sites.

wells would be drilled on existing sites.

A network of additional buried pipelines would link the gathering station with the well sites, sea water pumping station and rail terminal.

EP calls its planning application "the culmination of an unprecedented exercise in local and national consultation." Since announcing the development proposals two years ago, BP has held more than 200 meetings and discussions with meetings and discussions with local councils, statutory bodies, environmental groups, local community parties and private

Part of the pipeline route crosses the southern fringes of the New Forest and BP is currently discussing every yard of it with local landowners, residents and officials. Three alternative options are pipelines to

native options ara pipelines to Portland Harbour or to Poole Harbour, or by rail to Southampton Water.

So far, the Dorset anthorities and public opinion seem cautiously satisfied that Wytch Farm's advantages outweigh the disadvantages. Their reaction is likely to be further mellowed by a study commissioned by BP suggesting that the field's expansion could create 1,400 jobs in Dorset and 11,500 nationally.

nationally.

The determination of the Wytch Farm consortium to press on with the expansion scheme is particularly significant at a time when collapsing oil prices have styried expansion. oll prices have stymied some new offshora developments. This is because although its production costs cannot compete in cheapness with those of the major Middle East oil producers, they compare well with those of the biggest fields in the North Sea. For capital costs of soma £300m, the Wytch Farm developers hope to exploit reserves of 200m to 300m barrels. To develop the 85m barrels in tha Nmrth Sea Eider Field, on the other had would cost £620m.

Wood MacKenzie, the Edinhurg oil industry analysts, This is because although its

Wood MacKenzie, the Edinhurg oil industry analysts, estimate that Wytch Farm's economics look healthy at \$15 a harrel, which they assume to be the average world oil price this year and next, and that it would be viable even if oil remained at about \$9 a barrel. Tha prohlem, therefore—particularly for some of BP's smaller partners—is how to finance the development at a time of falling revenue from mature, producing fields in the North Sca.

If this prohlem becomes acute it could he reflected in changes in the ranks of the companies involved in Wytch Fiald—but

involved in Wytch Fiald—but it is not likely to affect the develoment plan itself. Maurice Samuelson

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China and world territories

Doubt on China's offshore prospects

THE INITIAL euphoria over thinkers. But the consensus commercial at current prices. China's offshore prospects has remains yes, even though Any oil accumulations which now been transformed into a Chinese officials have been may be found in the future are

of reserves has been made, no field can be regarded as com-

But is there any justification in writing off such a huge area on the basis of only some 40 wells? A similar philosophy applied to an area with com-parable drilling density in the North Sea or anywhere else in

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sediments are very young, and there appears to be insufficient wells have registered oil or gas source rock—the strata which shows, but where some estimate actually generate hydrocarbons. It is doubtful whether Arco's

field can be regarded as commercial at present prices.

The situation led one senior executive to comment: "The oil industry collectively has not worked up any enthusiasm for China."

Put 1 st doubtful whether Arco's Yacheng gas discovery may be developed commercially. According to some sources, the project is under way in the hope that it will be justified through future discoveries in the area.

the area.

What oil has been found is extremely waxy, making production difficult. Its low gas content makes the situation even worse. The ACT group's (Agip, Chevron and Texaco) Huizhon oil discovery, thought to hold reserves of 80m barrels, is also asserted to he was a second to be a secon the world is regarded as sacri-to hold reserves of 80m barrels, lige by many oil industry is also reported to ha un-

per cent royalty on production less than 20,000 b/d, and is thinking of ways of reducing the state take in any find, in order to improve the economics for small to medium-sized fields. for small to medium-sized fields.

China has also opened up 10
provinces south of the Yangize
river, and Xinjiang, for onshore
exploration in co-operation with
foreign companies. According
to Ministry of Petroleum
statistics, tha total area available is 1.8m square kilometres.

But are tha companies descending in droves to exploit scending in droves to exploit this immense potential? The answer is no. Only one American independent is be-lieved to be in the final stages

of negotiating for acreage in the Sanshui Basin, in Guangdong

prefound disappointment. Since quoted as saying that the second round of bidding companies expected too much closed last Angust, only seven too quickly.

new contracts have been days regarded as almost the axtendard for the first round in 1982.

Driling of over 40 wildcats in the South China Seas has welded note off by the first round in 1982.

Driling of over 40 wildcats in the South China Seas has welded note off by the first round in 1982.

Driling of over 40 wildcats in the South China Seas has complex than in the North Sea, per cent royalty on production sediments are very worms and less than 20 000 bid and in the future are would not be started in expected to ba less than 100m from scratch. The huge initial investment required is nowather the large structures—"the goldays regarded as almost the axtendary required in the future are would now to be started in expected to ba less than 100m from scratch. The huge initial investment required is nowather the large structures—"the goldays regarded as almost the axtendary required in the first required in the expected to ba less than 100m the first structures—"the goldays regarded as almost the axtendary required in the first required in the first required in the support of the second form of the second form of the second first required in the support of the second form of

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But privately, some company representatives have been quite blunt about the difficulties they bave faced in even obtaining sufficient information to make some assessments of prospects in onshore China.

They complain the national oil company has been withhold-ing selected information from certain companies, and that the Ministry of Petroleum and Ministry of Geology are competing against one another.
Onshore production is currently in the hands of autonomous provincial oil companies. According to the same industry sources, mese companies, quite understandahly, bave no desire to lose their autonomy, either to a central Ministry, or to

foreign companies.
So they too are selective in what they show to tha companies, and compete against one another, as well as against the

Ministries.

As the country's oil and gas production targets will be difficult to meet as the larger fields are depleted and mediumterm exploration prospects are grim, China's sentiments to Opec over production cuts appear to be an expression of Hobson's Choice.

With \$10 oil, many experts in the oil industry are united on the oll industry are united on their prime choice of exploration acreage—Sandi Arabia and Iraq—where there are still considerable reserves to be discovered. But as this is a political impossibility, they are forced to take a much inferior second choice.

Egypt remains probably the most popular country for ciate companies to the state oil

Province.

Operations in onshore China medium-term. It is technould bave to be started up from scratch. The huge initial of U\$10 a barrel, the companies can but add perhaps predictably say, but add perhaps predictably days regarded as almost the ax-clusive preserve of large com-and not as flexible as it should be in negotiating contract

> Nevertheless, Egypt is seeking to change the terms it offers to companies since, on some projects, current prices do not guarantee adequate recovery of costs let alone a profit. Conoco is currently renegotiating its contract with EGPC (Egyptian General Petroleum Corporation) over the Galsum field it bought from Mobil.

Under the present terms, a 5,000-7,000 h/d production rate over its probable 10-year lifa could not, at present prices, court even operating costs.

Recent exploration successes in the Westman December 1998.

in the Western Desert and new exploration areas. Never-theless, any short-term produc-tion cuthacks, due to marketing difficulties or Opec pressure, on the part of the state oil com-pany has also to be matched by foreign production sharing

However, the 1980s have produced only two real exploration successes, North Yemen and

North Yemen's new licensing round later this year is bound to attract considerable attention, although some companies have expressed concern about operating costs in the country. But Colombia has become an unwitting victim of its own

concern Ecopetrol, angered the concern Ecopetrol, angered the foreign companies, as did the change in the government's reference oil price. But government proposals to drop foreign remittance taxes and to modify depreciation rules have provoked the most vociferous outcry, and some donbts in the higher echelons of Ecopetrol.

China's Oil and Gas

Some hopes have been expressed that when the new Barco government takes offica in August, there will he an attempt to rescind the fiscal

Changes in contract terms have also caused considerable confusion to companies operating in Indonesia. Over the years, Indonesian conditions have become less and less attractive. In theory, the new law came into force in January 1984. But tax ilabilities were calculated at the official price, whereas oil

was sold at low spot prices. Prices are now based on a basket of crudes, and the government is confident of signing six more contracts this year. It also intends to offer mora areas for bidding, includ-ing onsbore East and West

focussed a lot of attention on onshore France. The relatively onshore France. The relatively low operating costs, similar to UK onshore, should maintain activity at a reasonable level throughout the low oil price period. Nevertheless, Genevabased Petroconsultants suggest that exploration peaked in 1985, tha future outlook, they say, is constrained as much by the maturity and lack of significant

Tan-dollar oll makes exploration in West Africa uncommer-cial. The results of Gabon's licensing round have still not been made public. Only Angola is reported as adopting a "pragmatic attitude." The state oil company Sonangol is promising flexibility on terms and inviting comments from in-terested componies. Elsewhere tin the Middle

maturity and lack of significant

new prospects, as by tha oil

East, companies operating in Turkey are still confidently maintaining that even n price of US\$9 a barrel keeps some fields commercial—if they are situated close to an existing pipeline.

Syria and Jordan are willing to discuss terms with companies,

Shell Pecten, and of gas at Ar Shaer by Marathon, has pe suaded many companies to tre

The future does not appear the future does not appear hright for Latin America. Oth than Colombia, Ecuador seet to be the only attractive pla to explore. The recent biddl: round in Ecuador bad what w described as "good response but the country is under pri sure from its OPEC partners cut production.

In Brazil and Argentina, t best acreage is said to have be taken up by the State oil co panies. In Argentina par cularly, the last two licensi attempts have been describ as complete fallures, even wi the promiso of a more ilber approach by Mr Jorge Laper the Energy Secretary.
One company official summ

up the situation as "not wor the trouble." Curtailment of oil explo tion and production is bound have a detrimental effect on t development of many Thi

World countries.

Maria Kielm

Big fall in value

UK independents

Then the doubts creep in. A Then the doubts creep in. A five per cent increase does not look quite so good when defined in the context of 75 per cent increase in the FT All-share Index in the same period. And naturally it does not quite fit to include Shell and EP in an experience of the indexember of the indexember. examination of the independent

Now Burman has got out of North Sez oil emploration and production, its face does not fit either. Take those companies out and the difference between the market capitalisation of the the market capitalisation of the British Independent exploration and production (E&P) sector now and one year ago is the difference between 53,9bn and 54,6bn. Wherever the market bulls were putting their money, it was not into North Sea oil. And the figures probably underestimate, the damage by a substantial marsin.

stantist margin.
Atew familiar names tell the story. Last July, Lasmo was worth £56m now it is capitalised. stock market fall it was worth £152m. Sovereign used to be worth £58m now it is capitalised at £10m. Tricerated could count on capitalisation of £193m, twelve months ago; now its worth £53m Pict is now worth a worth 25am Fict is now worth a fifth of what it was, whila Carless Capel is worth a half. Even Enterprise, with good financial management, is capi-talised at £218m, 60 per cent of

The reason for this disastrous state of affairs is too obvious to

\$3 and \$12 a barrel and \$27 and \$28 a barrel says it all.

Downstream refining assets provided some protection unless, like Ultramar's Canadian operation, inventories wore higher than normal at the end of the winter season.

But the UK independents are however. First and foremest, not noted for strength in the it is hy no means clear that the

on the balance sheet. In a tima of glut, the name of the gama was the balance between off-setting production taxation against development and ex-ploration expenditure.

To achieve the right profile of fields producing and acreage to develop was crucial. This was what set off a great deal of small company merger activity in mid-1985, with often embarrassingly high share prices. But since the percentaga stakes in potential fields was generally small, the companies were often

In a time of price collapse these problems have become compounded and the name of the game has become survival. Back in April, Michael Devereur's institute of Fiscal Studies tax model suggested that the net present value of future cashflows of some 16 out of \$5 North flows of some 16 out of 35 North Sea producing oil fields would be negative at £9 a barrel. With current Brent prices at \$10 a

barrel translating into sterling heavy is at current rates to £6.60 a barrel, it is probably fair to add a further eight to this list.

The consequence, put blumtly, is that it is no longer possible to regard some North Sea producing assets as a source of revenue; rather the reverse.

The optimists' solution is naturally to assuma that what goes down must surely come up

state of affairs is too obvious to hear repeating. It took six months for Saudi Arabia's netback dealing in July 1985 to catch up with the oil market, carry on regardless. Exploration but when it did it savaged North Sea oil company cashilow. The difference between North Sea crude prices fluctuating between \$9 and \$12 a barrel and \$27 and \$28 a barrel says it all.

Downstream refluing assets will keep revenue flowing and

THE BRITISH independent oil their highest growth, European \$15 a barrel necessary to achieva sector is in a mess and knows it. At first sight, of course, a quick survey of the oil and gas companies quoted in sterling on the UK Stock Exchange, does not look too bad. Market capitalisation for this sector is now about £23.3bn, while a year ago the equivalent figure was the look too bad. Market capitalisation for this sector is now about £23.3bn, while a year ago the equivalent figure was the look too bad. Market capitalisation for this sector is now about £23.3bn, while a year ago the equivalent figure was their highest growth, European is unsurplus at more positive cashflow from the North Sea. A sustained period of oil prices in the off scarcity E&P shares outstanded of the banks towards supporting the industry. Some they did not have the drag of unprofitable downstream assets on the balance sheet. In a time generated in anticipation of future projects, future projects.

Given that existing North Sea

production is likely to decline over the next five years, neither hanks nor investors can seriously expect a change of fortune unless the development drive continues. Britoll, akthough it has strong conservative financial management, provides one example here. It has a mature field production profile and thus needs money for development.

Yet new development now re small, the companies were often at the mercy of the majors over the development timing, and the majors were not in the business of helping the small stake holders' tax profile.

In a time of price collapse rather than less, money in the initial period.

> of prices is tight here also The British Gas Corporation is only too well aware that its industrial market is under serious threat from gasoil and heavy fuel oil and wants reduc-tions in contract prices.

At 17p per therm, many plans for offshore southern basin gas do not look attractive. New contracts in February were at 22p per therm. As one market analyst put it "you cannot in-vest in North Sea oil companies on the basis of North Sea gas

Selling assets to keep afloat is, in the words of another analyst, "like selling the front of the house to pay for rebuild-ing the back wall. And it is a buyer's market. The sim is to reduce debt levels to make to reduce debt levels to make bids attractive. But the majors do not have any immediate necessity for picking up small stake holdings in exploration acreage unless it fits very well into the current pattern of their requirements.

Chris Cragg not noted for strength in the it is by no means clear that the Chris Cragg is editor of FT downstream area. At the time of oil price will rise towards the Energy Economist Laing's commitment to this

toughest of markets is amply proven. From the historic Graythorp yard to a partnership with Bechtel providing the most comprehensive engineering resource in offshore development. From day-to-day platform support to the most advanced computer aided design facilities.

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YEARS OF COMMITMENT.





many fields and is also a largely unexplored country. Although it is the largest in Europe after the Soviet Union, only about 2,064 wells have been drilled in the past 50 years. In exploration terms, Turkey is still a "New Frontier" for the petroleum inclustry. The new Petroleum Low of Morch 1983 provides the following advantages to the

> Thirty-five per cent right of exportation of hydrocurbons produced onshore, and 45 per ent of hydrocurbons produced offshore. 2. The right to keep oversees the proceeds from

3. Equal treatment of all oil companies, national and foreign including TPAO 4. Extended new exploration periods from five to

5. The right to construct pipe-lines and refineries.
6. Streamlined procedures in answering applications so that if no answer is received

within a given and shortened time the application is regarded as accepted in law. Turkey is now a country where investment and subsequent profits can be freely repairiated Furthermore, the rate of exchange is guaranteed in all repairiation

The expansion of the TPAO is itself a success story Founded in 1954 as a joint stock company, with a capital of 150 million Turkish Lira TPAO is now a giant corporation listed by Fortune Magazine as 81st in the prestigious list of "The World's Largest Industrial Corporations."

Foreign companies are being encouraged to co-operate with TPAO in joint-ventures. Several such joint operations are already working successfully, while negoticitions with others are proceeding.

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Monday August 4 1986

Gatt system in peril

THE OUTLOOK for the next round of talks on liberalising world trade, due to be launched in September under the General Agreement on Tarriffs and Trade (Gatt), has not heen improved by the events of the last few days. The agreement between Japan and the US on the contraction of the last few days. semiconductor trade extends to a fast growing, high technology business the damaging trends towards bilateral and sectoral deals which bave hitherto been largely confined to older industries such as textiles and steel. The Multi Fibre Arrangement, which is contrary to Gatt prio-ciples even though negotiated under Gatt auspices, has been extended to cover a wider range of products.

of products.

These events underline once again the growing lack of respect for Gatt rules. The central issue in the coming round is whether the move to "managed trade" is accepted as permanent and irreversible, or whether a consensus can be whether a consensus can he rebuilt in favour of a competitive market economy in which industries adjust to shifts in comparative advantage. A great deal will depend on what leadership is forthcoming from those countries, particularly the US, West Germany and the UK, whose governments are most publicly committed to marketased economic policies.

Key articles

date the Gatt systam and its rules which were in some respects too idealistic. There is dis-satisfaction with several key satisfaction with several key articles, including those dealing with anti-dumping, subsidies, customs unious and, most important of all, the provisions for emergency protection against sudden surges of imports. But there is a very strong economic and political case for reasserting the Gatt principle of non-discrimination

This principle, together with transparency and reliance on the tariff as the permissible in-This principle, together with transparency and reliance on the tariff as the permissible instrument of protection (because it was consistent with the price mechanism), was designed by the architects of Gatt to foster a multilateral trading system in which international obligations protected governments arainst domestic pressures.

In the last year or so international economic collaboration against domestic pressures. Gatt provided escape clauses,

Gatt devices is too often the instinctive response to trade problems. The discriminatory approach, designed to avoid or defer the pain of adjustment, has become more deeply entrenched, with vested interests on both sides. Many developing countries prefer the rigidity of the MFA, in which they are guaranteed market shares, to a free for all in which the most efficient suppliers, such as Hong Kong, would gain more of the business.

How to bring selective discrimination within Gatt disci-plines has to be tackled in the coming round. There are, of course, many other topics to he considered and the agenda is not yet finalised. There are arguments over the form in which agricultural trade will be discussed. Some developing countries are fiercely resisting the inclusion of new subjects— trade in services, rules governing foreign direct investment and intellectual property. There are anxieties in the same quarter about possible threats to the preferential arrangements which they enjoy in certain markets, There are proposals for strengthening compliance mechanisms and dispute settlement procedures within

Key articles

As one observer has put it:
"The Gatt lacks even the modest powers of compliance of most international organisations and depends to an un-usual degree on the voluntary co-operation of members for the observance of rules."

A balance will have to be struck between the danger of overloading the agenda and the need for enough negotiable issues to provide scope for trade-offs. But if each country approaches the talks with tha aim of gaining advantages for its strong industries and proits strong industries and pro-

principle of non-discrimination
— that trade concessions
agreed in a bilateral negotiation
should be extended on a most
favoured nation basis to all Gatt
member countries.

This principle, together with

This principle, together with

who is one of the leading ex-perts on the US debt markets, says that internationalisation is healthy. But "foreign partici-pation could change the market. You don't know the placing power of the new firms, or their national economic collaboration has been strengthened, especibut most of the discriminatory ally with a change of attitude measures which have been on the part of the Reagan trading mentality or their trading techniques. introduced in the 1970s and Administration and the at-1930s—the voluntary export re-straints and other non-tariff rency misalignments which are barriers directed against par-themselves a source of proteca group of primary dealers— currently 35—who are officially recognised by the Federal Re-serve Bank of New York. Most ticular countries—have been tionist pressure. The new Gatt negotiated outside Gatt and are round is a chance to extend of them are large commercial and investment banks. They inconsistent with it. The Catt this spirit into the vital area secretariat estimates that there of trade and to reconstruct are soma 120 arrangements of in an up-to-data form the norms this kind now in force excludand procedures of a multilateral bave the right to trade directly with the Fed and bid for new treasury bonds at the monthly anctions. But they also have

The Mersey

- Silk from the safe Labour Merseyside seat of Knowsley North threatens a small hurricane that could have effects on the party throngbont the country. Just as Mr Neil Kinnock seemed to be succeeding in projecting an image of sensible moderation in time for the next general election, the internal divisions are going to surface again, even if the true story of again, even if the true story of local events is more complex than meets the outside eye.

Mr Kinnock must have been hoping that hy the next party conference — possibly the last before the election — Labour would be showing itself as fit for government. Now Mr Kliroy-Silk has forced an autumn hyelection in a region that is rife with factionalism, and has done so at a time when old sores are so at a time when old sores are still running. The Liverpool councillors, who have been expelled, are to appeal against their disqualifications to the House of Lords and bope still to be in office at conference time. Many rank and file

bytion would be to dismiss the most of the party that power was preferabla to socialist wise united party. But would be and his front bench then be able to go to Knowsley North and support the party's national head-quarters at Walworth Road would impose a "sultable" person. But that will be very difficult. Support from Walworth Road would be probably the kiss of death for any of the party on Merseyside, when we was and a setback if he does not knowley North bopeful rash and a setback if he does not knowley North bopeful rash and a setback if he does not knowley north placed or section and Morgan, seed the mough to claim it.

It will be a formidable achievement if ba pulls it off and a setback if he does not the horticultural industry, is claim-

is the only way to unite factions

the outside world. However misled the councillors may have misled the councillors may have been, the bulk of them went over the top for Labour and now find themselves abandoned in no-man's-land, facing severe penalties. They believe that good people are being sacrificed to help rid the party of the Militant Tendency. They are determined to teach Mr Kinnock a lesson. Some of them hope that he will lose the general election.

The last Labour Prima

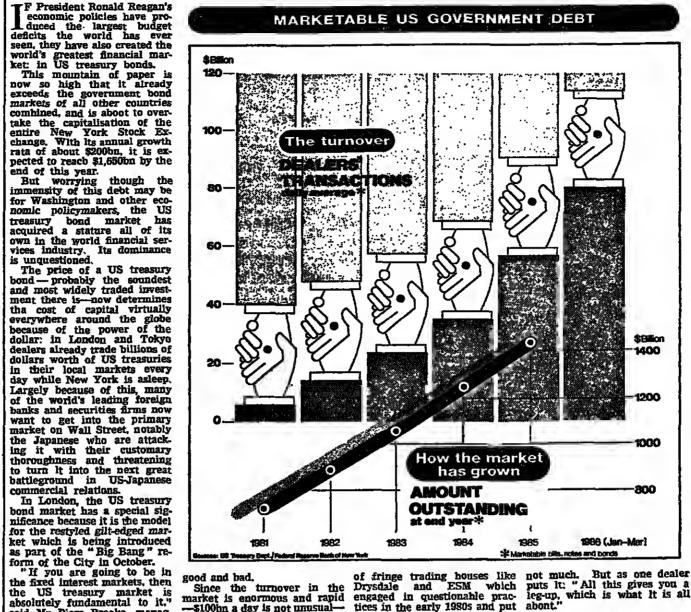
Common cause

Mr Kinnock's problem is how to claim that Lahour is no longer in disarray when the swidence from Merseysida where that it still is. One botton would be to dismiss the have quite the present Merseysida with but suggests that it still is. One botton would be to dismiss the most of the party that power was preservable to accelete.

US TREASURY BONDS

The \$100bn a day market

By David Lascelles, Banking Correspondent



Since the turnover in the market is enormous and rapid —\$100bn a day is not unusual absolutely fundamental to it."
said Mr Piers Brooke, managing director of Lloyds Merchant
Bank whose parent, Lloyds
Bank, has begun to trade US
treasuries as part of its worldwide capital markets business.
This sudden wave of attention bas bad a mixed reception
on Wail Street where dealers
welcome any demand for their opportunity to lose money." A change of only a quarter per cent in interest rates can mean millions of dollars to a bouse entrants on a market which, for all its size, is finely tuned and has well-established trading practices. Dr Henry Kaufman, the Salomon Brothers economist

put as high as \$500m, and confor a favourable move in the tributed to the poor results just market. announced by many Wall Street houses for the second quarter

houses for the second quarter of this year.

Because of this, the Fed keeps close tabs on its primary dealers: they have to go through a lengthy probation period and, when sccepted, report daily on their dealings and abide by rules on capital. A bouse must command 0.75 per cent of daily turnover (except the command of t The US market is centred on per cent of daily turnover (ex-cluding trades among dealers) to qualify.

The rules have been tightened

the obligation to buy and sell up in recent years after the of the market when the Fed is movements, and a time ho bonds to investors at all times, dramatic collapse of a number buying or selling bonds. It is where 30 days is long-term.

dealing profits for a successful some primary dealers at risk house can be substantial. But but it is still escentially an tha market is also, in the words of a foreign banker on Wall anyone can deal in the Street, "the world's greatest secondary market. However, unregulated business because anyone can deal in the secondary market. However, Congress has threatened to bring it under the control of the Securities and Exchange

millions of dollars to a bouse with a hig position in the notoriously volatile long end of the market.

And though the market is so liquid that it can absorb a \$100m trade without batting an eyelid, it can be dangerously unpredictable. A rare "squeeze" during May—blamed on tha now much-feared Japanese—caused losses which have been on their own books and hoping put as high as \$500m. and con-

But the real benefits are less tangible. A certain prestige comes with recognition, though not, the Fed is careful to say, any promise of a bail-out in times of trouble. There is also an advantage to baving a grandstand view of trading activity, and being in constant contact with the Fed as it implements monetary policy through the treasury bond market. The primary dealers get a few seconds bead start on the rest

of fringe trading houses like not much. But as one dealer Drysdale and ESM which puts it; "All this gives you a engaged in questionable practices in the early 1980s and put about."

Recognition also entitles dealers to see the price screens of the six Treasury market brokers who bandle about half the market volume. The bouses the market volume. The bouses deal with each other "blind" through the brokers, not knowing who the counterparty is, other than that he has the necessary standing. They also know that the Fed stands ready to ease any blockages in the market, as it did last November with a \$24bn loan when a computer hreakdown brought the settlement system grinding the settlement system grinding to a halt. Not that all the recognised

dealers are large. They range from Salo accepted as the leading govern-ment bond dealer, which trades up to \$10bn a day from a cavernous dealing room packed with flickering green screens, to Aubrey G. Lanston, a small, pri-Aubrey G. Lanston, a small, privately-owned bouse with only a dozen traders in a bars white-painted room beside the Stock Exchange. But the common traits are super-active dealers with the stamina for long trading days and long evenings of entertaining clients, an obses-sion with the market's tiniest movements, and a time horizon

cbant bank, had taken steps to become a direct member of the market by huying an existing dealer, ACLI Government Securities (though three other banks, Midland Bank, Hongkong and Shanghai Bank and Bank of Montreal, owned stakes in US banks who were primary dealers).

dealers).

But since then Westpac, Australia's largest bank, bas bought a small dealer, William E. Pollock Inc, and the Midland has become a member in Its own right. At least eight other foreign institutions are on the candidate list: Lloyds Bank, Union Bank of Switzerland, S. G. Warburg, Schroders (through Wertheim, its 50 per cent owned Wall Street affiliate), and the four major Japanese securities houses, Nomura, securities houses, Nomura, Dalwa, Nikko and Yamaichi. Several other banks, such as Barclays and NatWest, have indicated their interest.

Tha quick route into the mar-ket is by acquisition, a course favoured by Barclays among others. (The chairman of Bar-clays' investment bank is Sir Martin Jacomb who negotiated the purchase of ACLI while be was vice-chairman of Klein-worts.) But there are only four independent dealers left, and they are either closely held like Aubrey Lanston, or costly prospects, like the highly regarded Discount Corporation which is a publicly quoted \$200m com-

This means most aspirants are baving to take the slower though cheaper route of building up their own operations by poaching seasoned traders from the established houses. This has already caused salaries to shoot up, adding to the sense of threat on Wall Street.

Including the handful of US houses who also want to be-come members, the total num-ber of primary dealers could reach 50 within the next year or two, which suggests that the level of competition will be-come even more intense. Each of the 15 aspiring members will have to wrest its 0.75 per cent from an established house, and even though volume is growing year by year, the likes of Merrill Lyncb and Citibank are not going to yield 12 percent of the market that readily.

The four Japanese houses have already shown their determination to build up their qualifying volume as soon as possible with aggressive trading techniques. Accusations of unfair prectices have begun to fly, particularly since the May bond squeeze when Japanese investors were alleged to have cornered the long bond market just as most US houses needed

Growing foreign interest in the market has produced a lengthening list of candidates for primary dealership status. At the beginning of this year only one foreign institution, Kleinwort Benson, the UK merchant bank, had taken steps to become a direct member of the market by huying an existing dealer, ACLI Government "These suggestions are groundless," said Mr Akira Shimuzu, president of Nomura's Shimuzu, president of Nomura's Capital is in the process of being increased from \$60m to \$100m. "This operation has been very profitable." Ha claims been very profitable." Ha claims been very profitable." Ha claims been very profitable." S500m of long bonds to ease the squeeze.

While Nomura may not be While Nomura may not be the most welcome new arrival, it is rapidly becoming the major foreign force in the market. Backed by the huge demand for US treasury bonds from Japanese investors back home, it is already turning over \$2buworth a day and should, if all goes to plan, receive official recognition by the end of the year, which would make it the first foreign bouse to achieve that status in its own right.

that status in its own right.

But resistance to the Joy Lies? Is building up on Wall.

Mr Robert Linton, the chairman of Drexel Burnham Lambart, one of the top five US dealers, bas stated publicly that be does not think the Japanese bouses should be allowed in on the grounds that US houses do not bave reciprocal access to the Japanese markets. Privately, Americans express more bostile opinions. "We feel they do not have high enough standards to be admitted." said the chairman of one US bouse.

But whether Wall Street's

But whether Wall Street's concern will sway official attitudes is doubtful. For 'ue thing, the Fed does not Co. 5kd .r that trading styles and recipro-city should weigh decisively in a recognition decision, pro-vided the house in question meets the published criteria. More to the point, though, the US Treasury cannot afford to keep the Japanese ont because they now buy a sizable-propor-tion of all the debt it issues. A recent Fed survey showed that foreigners account for 17 per cent of primary dealers' cus-tomer business in long treasury bonds.

The Japanese have also The Japanese have also shrewdly hired senior officials from the Fed and the Treasury to join their managements and aid their lobbying efforts. These include Mr Stephen Axilrod, the top Fed official in charge of monetary policy who joined Nikko last month and Mr Scott Pardee, formerly of the New York Fed, who is now with Yamaichi. with Yamaichi.

The mounting competition for US Treasury business does not bode well for the proposed London gilt-edged market which is reckoned to be overcrowded before it has even started. It will have a similar system of designated primary dealers linked to the Bank of England who will be responsible for maintainin government stock.

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But while the US market has 35 participants, London will have 27 of them chasing less than one fiftieth of the volume. London will also start without large stocks of bonds to cover short positions. There have even been dark hints that the Japanese central bank tips off wait two years until the Bank wait two years until the Bank the Japanese bouses about forthcoming currency and interest rate interventions to which it is privy from the Fed.

All these accusations, are denied, of course, by the Japanese themselves the street in the decade.

sound

LOCAL LABOUR Party politics are often stormy, but the resignation of Mr Rohert Kilroy.

Silk from the safe Labour stand the nature of its membership and support on Merseyside, where organisational discipline depends on winning hearts and minds to a common cause. That that range from a Catholic mafia to a neo-Marxist caucus.
Mr Michael Heseltine, when he
was the Tory Environment
Secretary, seems to have understood this better than Mr
Kinnock. present: attacked by the Gov-ernment, the law, the local Liheral Party and Labour's leadership, they stand back-to-back in attempted defiance of

Labour supporters are helping to pay their legal costs, and the process of expulsions is not yet complete.

hope that he will lose the general election. The last Labour Prima Minister to reach Downing Street via a general alection was

It could be a whole nail-biting year before the US oil major Texaco knows whether the record damages of \$11.1bn awarded against it in tha Texaco v Pennzoil case will be uppheld reduced or set aside upbeld, reduced, or set aside. Last wack's hearing in Hous-

Texaco appeals

against the clock

welcome any demand for their wares, but are apprebensive about the impact of foreign

ton endad with the appeal court judges of the state of Texas simply leaving the court without a word.

This cliff-hanger, embodying the differing styles of northern etates and southern states justice in tha US, continues to provide better court room drama than Hollywood ever offered.

Justice James F. Warren

started the proceedings by warning from the bench that there was to be no cheering, booing, stamping of feet, or anything else to detract from "what these fine lawyers are going to say."

Participants in the hearing

were allotted coloured cards entitling them to sit in various sections of the 750-seat law school auditorium. Before long bolders were swapping with each other for what they con-sidered more favourable colours.
Lawyers were told that the

court clerk would hold up a card three minntes before tha end of their allotted speaking time. And that any overrun would come off their haddies time.
All at the hearing were conscious that interest on tha damages award continues to

Men and Matters

ing that it will be the first company to offer Golden Busy Lizzles (sometimes called impatiens) in its new catalogue. Clive Jobbins of that company says Golden Busy Lizzies were thought not to exist until Keith Sangster, Thompson and Morgan's managing director, mounted a search operation in the Fore Rose

His interpid seedsmen were dispatched to New Guinea where they climbed, slipped, and skidded through the mountains at around 7,000 feet. Eventually they were lucky. They found the flower at the base of a hig waterfall, band pollinated a small quantity, and flew thair prize to England for

DOE stops play Bringing a touch of the new

world to the old world, American bankers in London like to disport themselves innocently on summer evenings by play-ing softball in Hyde Park. Together with British, Japanese, and other friends, they run the Euro Market Softball League. For the last eight years some 40 teams from City of London financial institutions. have competed—purely for fun-in three leagues meeting on Tuesdays, Wednesdays, and Thursdays, near Knightsbridge Barracks.



"Have you any idea the trouble it's taken to bring that grapefruit all the way from South Africa?"

have his complaint listened to in Whitehall, and early action in Whitehall, and early action was taken.

The league commissioner. Justin Day, is meeting the DOE on August 11 to sort out the matter and hopes that, thereafter, play can be resumed.

The players might consider enrolling tha Department of Trade and Industry as their sponsoring ministry to put pressure on the killjoys at DOE. For if the bankers are denied their

the 50m Americans who are said to enjoy reading in the privacy of the bathroom. He will serve a mix of stories deal-ing with health and fitness, money, sports, fiction, humour, games and horoscopes. Cohen says, "We are making sure that everything we write is thought-provoking and unpre-dictable. Thomas Edison was right when be said the best thinking is done in solitude." Bathroom Journal will come complete with a "space-saving wall rack." And it is to have a pink cover as extensive re-search has unearthed the fact that pink is the predominant colour in US bathrooms. Have I also stumbled on a reason why the FT's edition printed in the US is selling so well? Ara many people reading it in tha bath?

Journal. Its target audience is

Bigger hops

With the prospect of flying London-Sydney in 21 hours 15 minutes from October, when British Airways starts its new one-stop (Bangkok) service, old aviation hands have been reminiscing about the early days on the Kangaroo Route. First established in 1934 it used to take several days including a train ride from Paris to Brindisl, five cha of aircraft, and nearly a score of stops.
It also required the combined

forces of three airlines, Imperial Airways, Indian Trans-Continental Airways, and the newly-formed Quntas. By 1938 the journey could be done in more comfort in the hig Empire flying hoats. Bot it still took 91 days to get to Sydney.

No ciues

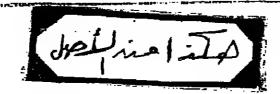
In a local newspaper report of a policeman's wedding: "Our picture shows the happy couple leaving the church under an archway of truncheons held aloft by ten uninformed police officers."

Observer

BASE LENDING RATES

ARN Bank Exeter Trust Ltd. Allied Arab Bank Ltd...... 10 Financial & Gen. Sec ... Allied Dunbar& Co..... First Nat. Fig. Corp.__ Allied Irish Bank ... First Nat. Sec. Ltd. e Robert Florning & Co...... 10 American Express Bk...... 19 Amro Bank_ Robert Fraser & Pirs....... 11 Henry Ansbacher. Grindleys Bank.... Associates Cap Corp Guinness Mahon Banco de Bilbao ... · Hambros Rank Bank Hapoalim Heritable & Gen. Trust ___ 19 Bank Lenmi (UK)... · Hill Samuel Bank Credit & Comm. 10 Bank of Cyprus Hongkong & Shanghai ... Bank of Ireland... Knowsley & Co. Ltd ... Bank of India ... Lloyds Bank ... Bank of Scotland Mase Westpac Ltd. .. Banque Belge Ltd ___ Meghraj & Sons Ltd... Barclays Bank... Midland Bank... Benchmark Trust Ltd Morgan Grenfell... Beneficial Trust Ltd 11 Mount Credit Corp. Ltd. __ 10 Berliner Bank AG ___ National Bk, of Kuwait ... 19 Brit. Bk. of Mid. Rost ... National Girobank... Brown Shipley National Westminster 10 CL Bank Nederland Northern Bank Ltd Canada Permanent... Norwich Gen. Trust... Cayzer Ltd __ PK Finans. Intl (UE) 19% Cedar Holdings. Provincial Trust Ltd 11 Charterhouse Bank R. Raphael & Sons Citthenk NA Roxburghe Guarantee 11 Citibank Savings ... Royal Bank of Scotland 10 City Merchants Bank _____ 19 Royal Trust Co. Canada..... 19 Civilerdale Rank Standard Chartered..... Comm. Bk. N. East... Trustee Savings Bank.... Consolidated Credits UDT Mortgage Express 710.5 Continental Trust Ltd.... United Bank of Kuwait 19 Co-operative Bank +16 United Mixrahi Bank The Cyprus Popular Bk .__ 19 Westpac Ranking Corp 10 Duncan Lawrie Whitesway Laidlaw 10% R.T. Trust..... Yorkshire Bank Equatorial Tet Corp. pic.... 18

e Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier.—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited, ‡ Call deposits £1,000 and over 64.% gress. ¶ Mortgage base rate, § Demand deposit 5.82%. Mortgage 11%.



The not-so-pampered whites

By Bernard Simon in Johannesburg

SHORTLY after dawn each morning, a fleet of Johannes-burg municipal trucks picks up 250 men to dig trenches, seed lawns in city parks and tidy municipal warehouses as part of a Government make-work scheme for the unemployed. Even by South African stan-

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dards, the workers are paid a pittance — R5 (or \$2) a day. The most unusual thing about these labourers however, is that, in a country where menial jobs are done almost exclusively by blacks, the workers who clamber onto the back of the city council lorries each morning are

The readiness of these men and many other unemployed whites throughout South Africa to stoop to what used to be known derisorily as "kaffir work" is a vivid reminder that whites have not been left unacathed, by the present deep recession in the economy.

Attention has rightly focused on the high level of unemployment among blacks, and its important role in faming tha violence which has swept much of the country in the past two years. The black jobless rate is estimated at around 20 per

But in the past few months white poverty and unemployment have become potent political issues. Soup kitchens and food banks are now commonplace in working-class white neighbourhoods. White beggars

The emergence of white unemployment and poverty for the first time in 50 years has become a powerful political weapont for the whitesupremacist groups to the right of President P. W. Bothe's National Party Government.

And the Nazi-like Afrikaner
Weerstandsbeweging (AWB)
has played a leading role in
organising relief for poor white families.

-Mention of economic hardship strikes an emotive chord among Afrikaners, Much of the groun work for the 1948 victory which brought the ruling National Party to power was taid in the 1920s; and early 1930s when the Africaners sought to overcome what was known at the time ag South Africa's "poor white problem." Rural impoverishment, caused by the Boer War, severe drought and backward farming practices led tens of thousands of Afrikaner farmers to flock to the cities in the first to present of this century. Once Country's biggest employers, ing to compete directly with blacks. A modest social security system put in place after the great depression and a greater number of working many years has provided shelf thousands of Afrikaner farmers to flock to the cities in the first to black on its payroll.

Despite the almost total South Africa's 46m whites



there, they competed for un-skilled jobs with blacks who were willing to accept much lower wages.

During the same period much of the apartheid system now being slowly dismantled by tha Botha Government (as put in place. The aim was to protect unskilled Afrikaner workers against "uncivilised labour." Memories of the earlier "poo white" problem and its political consequences appear to inhibit

moves today. The push for more white Jobs in the 1920s and 1930s spurred protectionist trade policies which helped create much of South Africa's present indus-

the Botha Government's reform

Over the past two decades, as over the past two decades, as an expanding economy has brought more blacks into semi-skilled and skilled positions, whites have tended to move higher up the ladder or into jobs where they are unlikely to face competition from other

many jobs thanks to the colour under-estimated, of their skins. There are still The white

barbours and was one of the biggest employers of poor whites in the 1920s, has reduced its total workforce by 58,300, or more than one-fifth, in the past four years. past four years.

However, the poor white problem of the 1980s needs to be kept in perspective. The number of registered unemployed whites has more than trebled in the past four years, but et around 30,000, it is still less than 1 per cent of tha economically active white population.

race groups.

This is especially true in the Civil Service and parastatal corporations, by far the country's biggest employers, where resistance to black hacks. A modest social securadvancement remains strong, ity system put in place after printer in Pretoria, which for many years has provided shelenged whites, has not a single blow when a breadwinner black on its payroll.

Indicate the present their jobs during the present recession have managed to find other employment without haven a transfer of the present recession have managed to find other employment without haven a directly with blacks. A modest social securative many years has provided shelenged whites, has not a single blow when a breadwinner black on its payroll.

The effects of recession on

abolition of statutory job reser- should thus not be exaggerated, vation, whites continue to bold but they should also not be

The white men digging trenches in Johannesburg and other cities are the most visible no black engine drivers, or conductors on the railways.

Some things have changed over the year, however. State corporations have been forced to trim both black and white workforces as the deepening workforces as the deepening one of the world's most pamperecession has squeezed their boundary. South the squeezed their boundary of the world's most pampered groups, a combination of economic recession and black advancement bas begun to nare advantage. The row whites' advantage. The University of South Africa's burean for market research concluded receotly that whites' disposable incomee slipped by 18 per cent in real terms between 1980 and 1985. Blacks', coloureds' and Indians' share of total income has risen from 32 per cent in 1970 to 45 per

While black wages in mann-facturing have risen steadily in real terms for most of the past decade, whiten pay bas stag-nated except for a brief spurt during the mini-boom in the early 1980s. The average monthly pay of black industrial workers slipped from R253 (at 1980 prices) in 1984 to R249 last year. White wages fell much faster, from R1,008 to much faster, from RL,008 to R957.

The big question is to what extent the squeeze on white pockets is diverting the Government from its cautious pro-gramme of race reforms towards policies which shore up white

living standards and thus Mr the University of South Africa.

a veteran commentator on white politics, argues that the Government "will have to do something" to stave off the "issues at 15,000 a memployment rising a Botha's electoral support. something" to stave off the discontent of hard-pressed working class Afrikaners. Pointing to the drought-ravaged and debt mentators are vying with each mentators are vying with each

class Afrikaners. Pointing to the drought-ravaged and debt-burdened farmers, who are egain moving to the cities. Prof Kleynhans predicts that Pretoria is "going to give jobs to whites which normally should have been allocated to blacks."

Others argue, however, that the whites' economic plight is not as serious as it was in the 1920s, nor is the leverage of the groups to the right of the stagliation triptych are upon us.

The chart shows how much to occe-for-all externel influences from oll and commodity markets. Underlying inflation to occe-for-all externel influences from oll and commodity markets. Underlying inflation to occe-for-all externel influences from oll and commodity markets. Underlying inflation to occe-for-all externel influences from oll and commodity markets. Underlying inflation to occe-for-all externel influences from oll and commodity markets. Underlying inflation to occe-for-all externel influences from oll and commodity markets. rement as great as it was

Mr John Kane-Berman, director of the South African Institute of Race Relations, says that the AWB, the says that the AWB, the extreme right-wing Herstigte Nasionale Party, and the Conservativa Party appear to draw surprisingly little support from whites who have been most seriously hit by the economic downturn, notably blue-collar urban workers. The groups main strength comes from Afrikaans university campuses, the civil service and farming communities.

This argument is reinforced by the Botha Government's willingness to take some tough decisions to the detriment of white interests in the past year. Mr Botha infuriated Afrikaner farmers by refusing to raise the producer price for maize (thus, in effect, redistributing the extra revenues they expected to black consumers). He elso cut Civil Service bonuses. Both decisions were taken shortly before the by-elections last year which brought the HNP's Mr Louis Stofberg to Parliament for the first time.

The Government relief scheme which provides jobs for the 250 white labourers in Johannesburg has created even more work for blacks. The municipality alone employs 1,700 blacks and 500 coloureds under the scheme. Which course Mr Botha chooses in future may depend on how much further whites economic well-being deteriorates and that in turn will hinge on develop-ments over which Pretoria has ments over which Pretoria has a severe — say 100 per cent — There would be just one ing an exchange rate policy shadowing the EMS at a range of the corresponding to DM 3 to the control and the corresponding to DM 3 to t

Lombard

At last, a plan for more jobs with no inflation

By Samuel Brittan workers. The ooe and only "gateway" by which a firm

portion to profits.

The original Layard plan for

a pay surcharge involved re-bates to the company sector as

a whole, so that only firms paying above-averaga lost on balance. The Daviee scheme aims to "lock in" the present

low rate of inflation; there are

thus to be no rebates, with all

PRODUCER PRICES

The profit-sharing gateway is no mere cosmetic. Both tradi-

tional incomes policies and to a lesser extent, the Layard tax

penalise profitable and expand-

ing firms. Such firms could,

under the Davies scheme, pay

what they needed to attract employees, provided their pay

increases represented increased

In contrast to previous pay policies, there would be no need for anyone's living standard to drop. If the pay freeze were reasonably successful, there would be near-zero in-

flation at the beginning of the

1987-88 pay round. The Chan-cellor would be able to offer

tax cuts amounting to 2 per cent of real take-home pay; these would be over-and-above the 2 per cent wages drift likely

profits per employee.

bring.

year after.

could escape would be if it registered a profit-sharing scheme, and pay rose in pro-

per cent per annum, whereas it has virtually stopped in the OECD.

There is no way by which UK pay per bead can continue to rise by 7½ per cent, retail prices by 2½ per cent, and pro-ductivity by somewhere beductivity by somewhere be-tween 0 and 2 per cent. The three likely resolutions are: a firm exchange rate policy, involving even more unemploy ment, substantial sterling depreciation involving an inflationary take-off; or another

labour shakeout analogous to 1980-81 to raise productivity. No compromise between the three brings tolerable results. Only a fundamental overhaul of policies and corporate behaviour will do this.

haviour will do this.

The best long-term idea for tackling stagfletion is still profit-related pay, despite the response of what Gavyn Davies rightly calls "the over-pessimistic always-ready-to-find-a-fault" British economic establishment to the Chancellor's idea. to the Chancellor's idea; The most promising emer-gency measure is still a tax

on pay increases. Davies, writing in today's Goldman Sachs' UK Economics Analyst. has an ingenious plan for combining the two ideas so that they reinforce each other and become quickly operable.

The background to the plan is that the Government would

persevere with its medium term objectives for Nominal GDP. If it succeeded in containing labour costs, there would be an automatic boost to output and employment. If it failed, there would still be a lid on inflation. The core idea is to impose

creases in remuneration for employees via an increase in the workers' share of company income. As these would be avoldance, in effect if no intention, they would attract a surcharge — but a lower rate say SO per cent — to promote the shift to profit-sharing (Firms wanting to raise the profit-related element in remuneration could do so withou penalty provided that the basi pay element were reduce correspondingly.)

the problems and destabilising financial flows they could The one argument I have beard against the Davies plan (from someone with Treasur and DTI experience) is that To give time for the scheme to be put into effect, the Govern-ment would immediately an-nounce a pay freeze in the is much simpler for companie to apply for a benefit (as in th Government's profit - sharin scheme) than for companies t public sector for the next 12 months; and the CBI would be claim exemption from a tax of asked to follow sult. Although the pay surcharge would not operate until 1987-88, it would be levied on total pay increases penalty. This amount of con plication (and excess carning of lawyers) may be a price t pay for a way out of standation over the two years 1986-88. So those who cheated on the freeze would be caught the which preserves a rule-of-la-approach and allows the pric

mechanism to work at the micro level. A weak objection is that th pay surcharge would be passe on in prices. But is complet passing of e 100 per cent impo: likely when there is firm co: trol of monetary demand?
I doubt whether a 100 p

cent tax on pay increases, introduced next year, woul still be there in the year 200 But if the plan lasts even few years it would, as Dayle the plan tax of the year transfer of the plan tax says, virtually guarantee major shift to profit-related pa which would become the ma-force for pay flexibility. My own prediction is that

inferior version of the Davi plan will be produced later, response to a run on sterlin which the financial establis ment always takes mo seriously than mere unemplo

But how much better it wou be to start now, when "there little need to ratchet inflatidownwards, but only to for pay deals to catch up with treality of reduced inflation." Davies puts it. This is also time when the workforce wou neither bave the desire nor t means to kill such a policy. This an ideal conjuntura and w not quickly recur. Indeed, would reinforce it by annous

uncement appears as a matter record only.

Nationalised

accounts From Dr D. Sodler

Sir British Steel Corpora-tion is clearly some way down the road to complete privatisa-tion and the process of improv-ing the company's image to the private sector has begun.

A bottom-line profit of £38m for the previous financial year, the first surplus since 1975, merits inspection. From 1979 to 1985 some £1.5bn of BSC'e change, and describes the latter as "the market for egrition to take account of capacity I should point out that while no longer required. In effect plant with a potentially useful physical life was deemed "un-economic" and its remaining valoa was charged as a one-off loss to the balance sheet.

With privatisation looming this has been reviewed. The this has been reviewed. The result is evident in the small print of tha 1985/86 financial statement. Of the £1.5th written off £127m has been deemed an over-compensation and has, therefore, been written back into the books as a credit on the year's activity. Previous years' losses have, eventight, become part of this year's profits. Without this BSC would have made a loss of £85m.

Once again it is apparent that the accounts of nationalised industries are a poor guide to their actual performance and investment.

(Dr) David Sadler University of Durham, South Road, Durham. Provisions for

a strike From the Finance Director, British Coal.

Sir, — Your report and leading article (July 30) incorrectly refer to financial provisions made for the effect of the National Union of Mineworkers year-long strike action on the industry's results as "over generous" and "not needed in the event."

In fact the £342m provision was made in the 1984/1985 accounts to cover the costs of recovery from the NUM strike in the early months of 1985/ 1986 and was used for that pur-pose. It has been fully and pro-perly accounted for in British Coal's 1985/1986 report and M. H. Butler,

Hobart House, Grospenor Place SWI

Markets in change

And the second s

From the Director General, Grain and Feed Trade Association

Sir.-I was interested to read the article (July 30) headed "Metal Exchange urged to link with agricultural futures market." The text of the article refers to relations between the

Letters to the Editor

the LCE includes the soft com-modity markets such as cocoa.

modity markets such as cocoa, coffee and sugar which are tropical agricultural produce, the markets associated with the UK and European agricultural industry are aituated in the Baltic Exchanga and serviced by this association. These include the GAFTA soya bean meal futures market, the London potato futures market, the London meat futures exchange and the London grain futures and the London grain futures I hope this will clarify any cossible misunderstanding that

may have been eeused as there have been no discussions be-tween the LME and the afore-mentioned agricultural futures markets. J. C. S. Mackie. 24-28 St Mary Are EC3

Advanced switching From Mr R. Plumley

Sir,—There was an important element missing in Jane Rippetean's story about ITT's System 12 digital telephone exchange (July 28). To ensure a balanced this view of the capabilities of this advanced switching system, it is necessary only to mention that System 12 has been delivered in substantial volume, on time and entirely meeting customers' specifica-tions, to PTT administrations in Germany, Italy, Belgium and

other countries. In West Germany, two years ago, the Deutsche Bundespost carried out an extensive technical and practical evaluation of System 12 before placing orders, and the administration's confidence has been totally confirmed by the international, trunk and local exchanges that are now in full public service

in the German natwork.

In Italy, there are now more than 60 System 12 exchanges in public service, and the time-span between initial handover to the PTT and cutover into public service is down to only three weeks, again reflecting total customer confidence in the

ITT switch, In Belgium, where System 12 has been in service for over four years, the RTT administration is providing a lead on the introduction of high level, internationally agreed standards for inter-exchange signormation (described as Tunbridge Wells, Kent.

London Metal Exchange and nalling and other administra-tive functions, using System change, and describes the lat-12's advanced digital capabilitles. There are numerous other

examples of System 12 in ser-vice, providing advanced tela-communications switching, to the entire satisfaction of PTT administrations. A million lines already delivered to customers in a dozen countries is an achievement that would bave been hailed as e great suc-cess for some of the other digital switches we could name. On the issue of delivery de-lays, that is not a technical problem, rather it is a manage-ment issue, now fully resolved. Another misconception in the article was that there were insuperable difficulties in adapt-ing the switch to the US market ing the switch to the US market which forced ITT to abandon the attempt. Not true, since in this case, too, the decision was taken following a straightforward management evaluation that the market opportunity did not justify the effort required.

Also contrary to Ms Pinne.

Also contrary to Ms Rippe-teau'e view, there is no doubt about System 12's ability to handle large-capacity installa-tions. At Aarbus in Denmark, for example, a combined local/ toll exchange is already hand-ling traffic equivelent to a 40,000-line local exchange, with total reliability.

In what I can only regard as a rather one-sided article, Ms Rippeteau quotes various ex-employees of this company. They may have convinced ber that there is something wrong with System 12, but the fact is that she has been misled by people who clearly have some-thing to gain from creating a negative impression about System 12's capability, since in most cases they are now working for its competitors. Russell Plumley. (Manager, News Services),

ITT Europe. Avenue Louise 480, B-1050 Brussels, Belgium.

South African

pay From the Chairman, Holt Lloyd International, Sir, - On my return from overseas my attention was drawn to an article by Philip Bassett (July 14), which claims that our South African substitute more a office? E. Hugb Bat the minimum living level.

I do not know the source of Mount Ston,

a confidential document) but you should be aware that it is and us always been the policy of this company to pay well above both the minimum living level and the supplemented living level.

Although our number of black workers has generally been below 20, we have never-theless reported regularly under the code of conduct declaring our support for the code and stating that our pay and conditions of employment are in line therewith. T. Heywood,

Lloyds House, Alderley Road, Wilmslow, Chashire.

Change the VAT system

From the Monaging Director, Redchoice

Sir,—With ref to the article by David Brindle (July 31) on VAT, is it not time that VAT regulations were altered so that only final users (i.e. those not registered for VAT) were charged VAT on invoices to them?

This would immediately release e large number of people employed by companies and Customs and Excise to

and Customs and Excise to chase and check intercompany VAT payments, collections and refunds which happen on a regular basis.

At the same time the VAT inspectors released from all this unnecessary work would be able to spend more of their time checking tha accounts of retailers and if the estimates are correct, collect a greater. are correct, collect a greater volume of revenue for tha Exchequer. S. Ebrahimi. 2A, Market Hill,

Maldon, Esser.

Playing to the box office From Mr E. Bateman

Sir,—If England had declared their innings closed at the lunchtime adjournment on the final day of the Lords Test Match, there would surely have been another 10,000 spectators by two o'clock to see New Zealand attempt to score about 200 runs in the afternoon. apparently an easy task, but by no means a walkover on a crumbling wicket.
Instead of a breath-taking finish, we bad to listen to the

commenators bemoaning the lack of public interest in the final sessione of a five-day match. The long-delayed declaration did not come uotil the inevitable draw bad been signed and sealed, if not already physically delivered. Is it not high time we had a little more playing to the box

E. Hugh Bateman,

New Issue August 1, 1986



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FINANCIAL TIMES

Monday August 4 1986



Paul Hannon on Wall Street

Good run for sports equipment

THE UPHILL struggle for the US bicycle industry is beginning to pay

Last week's sensational win for Greg LeMond of the Tour de France - the first time an American has won the competition – was a tour de force for American bicycle manufacturers plagued by intense for-

Domestic bike manufacture is dominated by Huffy Corporation, which makes more than balf of the US-built cycles and constructed the winning Tour de France machine. In the first six months of 1986, industry sales rose 22 per cent for an estimated annual total of 12.5m cycles. Imports, principally from Tai-wan and to a lesser degree from Europe, account for more than half of the total. This is still substantially lower than the 1973 record of 15.3m

units, according to the Bicycle Man-ufacturers Association of America. "It's premature to quantify the LeMond win into sales," says Mr Barry Ryan, vice-president of finance at Huffly, "but it will certainly help. It has drawn attention to eve ing as a sport again, much as the 1984 Olympics did." The forthcomng world championships in Coloraio will also boost the sport.

Huffy sells about 3m bicycles anrually under its own badge and imorts a further 200,000 from Taiwan

with the Raleigh label.
"The industry is split into the nass K mart-type market and the pecialist cycle shop, says Mr Ryin. "Price is critical at the lower and with \$100-\$120 being the resisance level while a bloycle shop will that at \$220 and more up." tart at \$220 and move up."

1		Est. profit for 1986 (\$m)	P/o	Price Friday (\$)
4	affy	6.5	74	14
	lurray Obio	6.5	15	23
	Hee"	65	12	14
•	OUAGLED.	6	45	271/2
	wave Shoe	• 1	22	8

lours and trim making or break-

g a model. Unfortunately both the Olymcs and the Tour de France are late ummer events," says Mr Ryan. There simply isn't anything we can o about that but we can make the cles more fashionable. We've en selling one model for the past :) years by just changing the co-

"One of our most successful cyes has been the Sweet Thunder, a nall pink girls cycle that bas sold ore than 900,000 since 1974. This par our Miami Vice bicycle - grey nd white frame with white tyres selling well. If you want to see hat next year's colours are, just ok at the mannequins in a shopng mall. There is an uncanny rrelation between clothing fash-n and cycles," he says.

"Even among the real enthu-asts colour is important," says Ms arah Weiss who runs Courad's, a ecialist bicycle shop in the well-eled Murray Hill district of midwn Manhattan. Ferrari red is the est popular. All our cycles are imrts because designing a cycle is art. Most American cycle mak-s think it's simply putting a load tubes together. It's much more

Conrad's has benefited from the creased bealth awareness trend the US and is wooing a larger imber of ex-joggers onto two

The stock market reaction to bi-cle makers and sports-related mpanies has been positive with affy trading near its high for the ar at \$14, although it showed a \$% if on the week.

The other main listed cycle makis Murray Ohio, which also manscures a wide range of lawn and rden machinery and has been ffering from high overheads and ong foreign competition. A pro-acted drought in the lucrative witheast has also hit its lawn mosutheast has also hit its lawn mow sales. Rooted near its 12-mont iding low, Murray Ohio still post 5% gain on the week to \$23.

Last week was also busy for brts shoe makers when Interco, a clothing manufacturer and re-ler, made a bid for Converse, the aletic shoe maker traded on the ler, made a bid for Converse, the eletic shoe maker traded on the C. Interco made an initial \$26 r abare offer, extendable to \$28 if Converse board approved the reover swiftly. Converse jumped a new high for the year of \$27½ er starting the week at \$18%. Nike, the leading sports footwear bup, stumbled \$% to \$14 on the lek in fairly active trading, while level in fairly active trading tradi

The consensus among Wall Street alysts is that as long as the x m competition can be beld in eck, all sports related stocks are for a good long run.

Iraq seeks peace before Iran's threatened attack

of Iraq yesterday issued an open other slice of territory in the south-letter to Iranian leaders calling for ern Faw Peninsula. Iraq attempted warned that the next threatened Iranian offensive would meet the same fate as the "previous 23," which be claimed bad been launched since July, 1982.

Iran has for several months been warning of a "final, decisive offensive" and Ayatollah Khomeini, the country's spiritual leader, bas called for additional volunteers to make their way to the war front. The economies of both countries have been seriously affected by the

collapse in world oil prices, prompting speculation that Iran may attempt a last desperate effort to breach Iraq's defences.

Despite the depth of Iraq's defences and its overall superiority in weaponry. Iran was again success- condition for ending the war, which

to counter the Iranian advance by counter-attacking in the central Mehran sector, but was forced after six weeks to withdraw again to the international border.

President Hussein urged yesterday that the only way to peace was by a mutual withdrawal from occupied territories, an agreement by both countries not to interfere in the other's internal affairs, and a

full exchange of prisoners. His appeal, however, is unlikely to meet a sympathetic response from Tehran, for whom success on the battlefield is totally linked with the Islamic revolution which overthrew the Shah in 1979.

edly stressed that the minimum

PRESIDENT SADDAM HUSSEIN ful earlier this year in seizing an- bas cost up to 500,000 casualties, is the removal from power of Presi-dent Hussein and the payment of substantial reparations.

Western diplomats doubt whether Iran, in its weakened economic condition, can sustain the lonomic containon, can sustain the it-gistical support necessary to achieve a significant military breakthrough. Although Iraq has several times proved slow in reacting to offensives, its strength in depth has always allowed it to con-

tain Iranian advances. The bitterness between the two countries is also contributing to the failure by the Organisation of Petroleum Exporting Countries (Opec) to agree on production restraints in order to stimulate prices. In the past week, Iraq has insisted in Geneva that its production quota can never be less than that allowed to

Delay to London SE plan for merger with regulatory body

BY ALEXANDER NICOLL IN LONDON

MERGER DISCUSSIONS between the London Stock Exchange and the International Securities Regula-tory Organisation (Isro) have slipped past a tentative end-July deadline and are now expected to come to a bead in September. Isro, which has about 190 mem-

ber firms, was set up as the self-policing agency for international mar- jurisdictions could overlap. kets centred in London, chiefly Eurobonds, wheo it became clear last year that the Euromarkets would have to fall under the new City of London self-regulatory structure trading shares of all nationalities. envisaged by the Financial Services The stock exchange, meanwhile, is

change would create a single self-regulatory organisation (SRO) re-sponsible for authorising and moni-market outside its control. toring firms' dealings in all Lonleading securities markets, not to be a negative sign. If final known to have been considering altagreement is reached by a joint ernatives.

Westinghouse

plans link

with Plessey

Continued from Page 1

The chances of the Awacs system winning the RAF contract are likely

to be enhanced by a joint venture

with a British company by Westing

house, whose share of the RAF con-

tract could be worth about £250m.

Moreover Westinghouse has also

agreed to collaborate with Plessey

on future airborne radar work if the

Awacs bid is successful. Plessey's

current radar expertise is in ground and ship-borne radar.

Florida-based US subsidiary, is

likely to announce this week that it

has won a trial order from Pacific Telesis, the Bell bolding company in California, for a trial order of a

This is a crucial stage in the elab-

orate evaluations process before suppliers are allowed to sell equip-

tions market without a tie-up with

Stromberg-Carlson,

digital switch.

working party, a recommendation is likely to be put to the stock exchange's ruling council in Septem-

The talks began as an exploration of whether the two bodies could tional equities - the most sensitive area because it is one in which their

International bouses, which pre-viously confined their London operations to bonds, have increasingly been using London as a centre for A merger with the stock ex- market for small domestic shares,

That debate is still at the heart of the discussions. Crucial to it is the Traded on OTC market

The bicycle market is seasonal, ith most sales occuring in the first alf of the year, and faddish, with laws alf of the year, and faddish, with laws the bear going on since May. But the delay in their completion until after the summer break is understood hundred foreign shares, but Isro is leading securines markets, the discussions. Cruciat to it is the stock exchange would favour its own Seaq (Stock Exchange Automated Quotation) system, which aldelay in their completion until after the summer break is understood hundred foreign shares, but Isro is leading securines markets, the discussions. Cruciat to it is the stock exchange would favour its own Seaq (Stock Exchange Automated Quotation) system, which allows in the stock exchange would favour its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which allows its own Seaq (Stock Exchange Automated Quotation) system, which

The decision to broaden the nego-tiations into a study of a possible merger of the bodies future self-regulatory functions recognised that it would be inefficient and costly to bave two separate bodies responsible for authorising firms to do securities business, particularly as the distinctions between international and domestic business are breaking

Even if a merger is agreed, many multinational group.

uncertainties would remain. SROs Although the dual resident comthe precise relationship with SROs

Swiss executives top European salary list

BY DAVID BRINDLE IN LONDON

A SURVEY of the salaries of senior company executives puts Switzer-land first, West Germany second and the UK 10th, out of 15 Euro-

pean countries. When allowance is made for tax and social security deductions, however, the UK moves up to fifth place behind Switzerland, France, West

Germany and Austria.

The survey suggests that the UK is one of the most incentive-orientated of European countries at ex-ecutive level. Only Denmark is said to pay higher bonuses to its sales directors (23.6 per cent) and only France (18.9 per cent) pays higher bonuses to its chief executives and finance directors.

sation Service, are published in the

ment in bulk to the Bell operating companies, each about the size of British Telecom. posts in 678 companies in 15 coun-Stromberg-Carlson, which is con-centrating on small to medium-sized switches, has already won its first field trial from Bellsouth, another Bell operating company.

these trials will lead to bulk orders which could treble its current turnover of \$135m by the end of the decade.

Plessey says this demonstrates that it is strong enough to compete in the crucial US telecommunica-The IDS analysis of the findings AVERAGE NET PAY OF

Country	£stg.	Per cent deduction
Switzerland	53,535	35.5
France	41.275	34
Germany	37,455	43
Austria	41,875	48
UK	27,670	42.5
Italy	28,675	44.5
Spain .	24,925	41
Notherlands	23,585	56
Belglum	21,710	60.5
Norway	20,905	52
Finland	20,235	55.5
Sweden	18,560	65
Denmark	17,620	68
Greece	11,995	42
	0.005	

Details of the survey, by the average total cash remuneration of Brussels-based Executive Compen-chief executives, sales directors and finance directors: Switzerland West August bulletin of the IDS Top Pay
Unit, part of the Incomes Data Services pay research group of London.
The survey covered executive Spain, Greece and Portugal.

Swiss chief executives are said to els for January I 1986. In the UK (\$123,700), although this falls to sample of 110 companies, the average figures show that manufacture tions. The UK chief executives average figures show that manufacture tions. ing directors and engineering directors are rewarded poorly relative to other senior posts.

arage falls correspondingly from £48,110 to £27,670 – the 42.5 per cent deducted being the sixth-lowest Only in Spain is the engineering director among the three highest paid of those listed, while in the chief executive, whose average pay UK, Germany and Belgium be is at the bottom of the salary scale.

The IDS analysis of the findings ranks the 15 countries in the following descending order on the basis of the findings and the following descending order on the basis of the findings and the following descending order on the basis of the findings and the findings are supported by the findings and the findings are supported by the findings and the findings are supported by the findings are supp Hopes rise at

Opec over cuts Continued from Page 1

ter, had evidently offered a cut of 800,000 b/d from the 5.4m b/d which, be said, had been the kingdom's average output in July.

According to industry executives, Saudi production last month ran at 5.6m b/d, not including its entitle-

ment from the neutral zone shared with Kuwait. The fragile nature of pledges was made clear by the analysis in the latest edition of the Middle East Economic Survey which calculates that those made towards the 1.925m b/d figure effectively meant only 1.65m b/d because Libya, Nigeria and the United Arab Emirates had

Companies quick to gain from Delaware loophole

FOR MORE than 10 years, the "Deaware Link" was something that high-powered tax specialists re-vealed only to their largest multina-

But recently, the mysteries of the link, and the millions of pounds of tax savings it leads to, have been unravelled by almost every company, large or small, with interests in the UK and the US.

Ironically, the link has been popularised largely as a result of a thwarted attempt to sever it which was made last year by one of Brit-ain's Inland Revenue investigation squads, the international counter-

voidance unit. As a result, the link is now caus-As a result, the link is now causing a tax loss estimated to be running at between £200m and £300m (\$298m-\$447m) a year, the biggest leakage from the Revenne's coffers since the offshore "roll-up" funds were unrolled by the Chancellor of the Exchequer nearly three years

ago.

The link is used by companies that are operating profitably on both sides of the Atlantic and are able to establish dual residence in the UK and US. This they achieve by exploiting the different defini-tions of residence in the tax laws of the two countries. In the UK, the test is where the management and control of the company is exercised, in the US, the criterion is merely the place of incorporation.

More pragmatically, it reflected the fact that members of Isro, which itself as yet has very few staff, increasingly own stock-exchange member firms or have themselves joined the exchange to participate in the Rig Rang regular. participate in the Big Bang revolu- will then borrow money from, tion of UK market trading practices usually, a UK bank which is used to finance the local operations of the

are due simply to authorise firms to pany can ensure, by applying the do investment business and to ensure that they meet capital adequa-cy requirements. The markets themselves are due to be operated and overseen by recognised invest-ment exchanges (RIEs), of which the borrowed money twice over, once in the UK and once in the US.

Some US oil companies stumbled across the device by chance when they set up UK-managed but US-incorporated subsidiaries to extract North Sea oil in the 1970s. But now-adays almost all dnal resident companies are established purely to

In November 1984, the UK Inland Revenue announced that it would block the loopbole in the 1985 Fr nance Act. At that stage it said that about 100 multinational corporations were exploiting the link, creat ing a tax loss of £100m. But persist ent lobbying by the Confederation of British Industry and several companies persuaded the Government not to proceed. The Inland Revenue however warned it would "keep the matter under close re-

Among the lobbyists were several banks, which argued that the link encouraged multinationals to do their financing in London. It is now estimated that more than £6bn has been borrowed, mainly through UK banks, by dual resident compa

The Revenue proposal and the drew the attention of accountancy firms and other tax advisers all over the country to the attractions of the link. According to Mr Malcolm Gammie, a tax specialist at solicitors Linklaters and Paines, the companies realise that the accelerating tax losses will inevitably force the Revenue to block the loopbole sooner or later. But mean-while they are determined to avoid

as much tax as they can. "It has become a standard structure to establish if your business is going into the US," he said. "The at-traction is that, when the Revenue stops it, the arrangements can eas-ily be unscrambled."

According to Mr Eric Tomsett, an international tax specialist at ac-countants Tooche Ross: "It used to be just the largest companies that were involved. But since the Revemue put out its threat, we have had queries from all kinds of compa-nies, medium and small."

However, the first legislative strike against dual resident companies has been made by the US Senate. But its current tax reform bill applies only against non-US-owned companies, a provision which the UK Government considers discri-Ok Government considers discri-minatory and against the terms of the tax treaty. It may therefore be abendoned later this month by the joint committee of the Senate and

Meanwhile, back in London, the Revenue's investigators are gather-US counterparts in the Internal Revenue Service. The Delaware Link must be the odds-on favourite exaggerated their July output, on target for the anti-avoidance secTHE LEX COLUMN

The revenge of **Dad Joiner**

The swing in oil prices from \$25 to \$9 in six months is by no means unprecedented as a response to glut. In 1860 the Pennsylvania crude price averaged \$9.59 a barrel; the following year, several gushers later, the price averaged 49 cents.

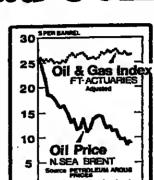
In 1930 the US average crude price was \$1.25. By 1931, after Co-lumbus "Dad" Joiner's discovery of the giant East Texas field, it was down to 18 cents a barrel, ultimately dragging the Texas Railroad Commission into its unlikely role as a forerunner of Opec. From the very beginning the high fixed and low variable costs – an incitement to overproduction in slumps - have made oil as ponderously cyclical an

industry as there is. In light of such a domestic history it is surprising that it is in the US where the oil industry and financial markets have been least able either to predict the collapse in prices or to contemplate the possibility that such prices levels may be more than a nine-week wonder, Encou-raged by predictions from US oil companies of a \$20 level by the year end, rather than Standard Oil's Britannic House-inspired scenario of \$15 for five years or more, some widely traded US oil stocks are on ratings whose supposed defensive qualities seem highly exposed.

Mug's game

Atlantic Richfield's share price is on a prospective yield of about 8 per cent, assuming the board keeps to its stated intention of paying a maintained \$4 dividend. But even if the oil price averages \$15 over the year, Arco's earnings per share are unlikely to exceed \$2.50. On similar calculations Tenneco's earnings per share could be around \$1.90 but the share price is now yielding less than 8 per cent on the hope of a maintained dividend of \$3.04 a

Where dividends seem safe, at least on a one-year basis, Wall Street is paying premium prices – higher than when oll was at \$28 a barrel early this year. Royal Dutch/ flood of US money which washed into Britoil shares from about 180p



1986 to value, now that it has most sensi-bly cut the "defensive" dividend. If the rationale for refusing to sell

oil stocks is a fear of selling at the bottom and so foregoing the shares' leverage to a near-term surge in oil prices and asset values, then a large dividend payment should be abhorred by investors. To make substantial payments out of reserves and cash flow earned with sub \$10 oil is a mug's game, serving only to dilute the positive gearing effect for which investors bope.

those which approach governments to take on large exploration tracts with few drilling commitments. The which has been taking acreage

properties from companies has so far been largely abortive because the guaranteed rates of return sought by the buyers cannot be attained if disposal prices are to reflect the optimistic oil price assumptions of the sellers. It could take a first har raise colleges before them. further price collapse before genn-ine distress sales become a feature barrel. Poor shunned Britoil even if of dealings between the larger oil it makes no discoveries, would have

downwards. The Americans now of a price setting agreement. Even at the market's turning point is as have about 25 per cent of a company which no-one really knows bow set of country quotas adding up to a prove as vain.

ceiling exactly in line with precep-tions of residual demand for its crude, the problem of price would

First, the markets would be rightly sceptical of its ability to enforce the production controls. Second, it is impossible to fine-tune quotas sufficiently to avoid swings between oversupply with falling prices and undersupply with rising prices. Until Opec agrees on a range of economic prices for its crudes and refuses to sell at other than such a price, its vulnerability to market forces is acute.

Over recent weeks the oil indus try and consumers have been restocking at such a rate that most of the front-line European storage fa-cilities are now full. Companies are now in a position of not being able to shift some of their refined products at almost any price. And since prices fell while the industry was stocking up, it is not difficult to imagine what will happen to prices when destocking takes place.

Longer view

The smart companies, which tru-deserve shareholder support, are ly accelerate the process of stimula-acting demand for oil and deterring exploration and development. Had the oil price remained at \$28 then it cost is minimal and the long-term might have been 1995 before de-property value upside considerable. mand for Opec oil would have In the UK oil sector this policy has reached 23m b/d. At that level all been most noticeably adopted by non-Gulf countries would be produ-Premier Consolidated oilfields, cing at capacity with residual demand for Arab oil sufficient to alfrom Thailand to Papua New Guinea in the past few months.

low those producers to name their price. If a \$15 oil price persists then The much vaunted alternative that moment could arrive five years business plan of buying producing earlier. It is as meaningless now to

frenc

assets worth about 180p a share. If A further collapse seems more the shares reach that level in 1990, and more likely, with the proprietor that would represent an annualised Shell's price has gained about 19 of the Intercontinental Hotel at gain of about 14 per cent for anyone per cent, while Exxon's is close to its high. A striking example of US bullishness about oil stocks was the gainsation has again wasted time fund managers probably rules out by attempting to reconstruct a pro- such long-term investment buying duction sharing agreement instead of oil stocks. The wish to buy only

As from October 27th, competition in the financial markets will be even more intense. Look around. Are your offices well designed for maximum productivity - or do you see an expensive waste of space? Do they promote an efficient and harmonious working environment -or does chaos reign supreme? With predicted rents in the City

reaching \$40 per sq. ft. it's vital your offices are designed to be 100% cost effectivewhilst also reflecting the image you wish to project to your customers and staff alike. At McColl, we've already taken stock of your needs by integrating our own proven design and space planning expertise with the latest in Computer Aided Design & Draughting technology-CADD. Major American banks and leading manufacturing corporations have already used McColl to design and plan their new European headquarters. If you'd like to know what we can do for your company, simply call
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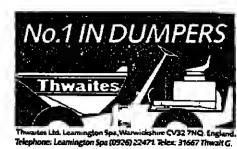
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SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday August 4 1986



British banks top

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FIRE ARE A TRACK A

Deutsche Bank launches 'bull and bear' offer

THE FINANCIAL innovation of the year," claimed one West German financial newspaper last week market for investors, principally in after Deutsche Bank launched a new instrument in the Eurobond or lack the know-how to manage a market enabling investors to take a portfolio of individual US shares. five year punt on the FAZ stock

From a more international view, Deutsche Bank's "bull and bear" bonds are not so revolutionary in themselves but examples of the latest Eurobond market "wheeze" selling stock index options in Euromarket guise.

These bonds, the most recent in a long series of Eurobonds incorporating features derived from the hedging markets, have taken two

First, there have been the bull and bear bonds, of which redemption amounts are linked to the performance of the West German and Japanese stock markets. They have and can decrease if the market arisen because the authorities in those countries forbid trading of stock index futures and options, tion value if the stock market weakand the unregulated Eurobond mar- ens and a lower value if stock prices ket is the only arena in which equi-rise. ty investors can carry out hedging. The borrower, however, has no

Despite their Euromarket nature, these bonds are unlikely to be sold outside Japan and West Germany. demption amounts cancel each oth-er out.

The second kind, linked to US Japan, who either are not allowed

Both types, like bonds that are convertible into shares, provide borrowers with cheap financing since coupons are fixed by reference to dividend yields rather than prevailing coupon levels on fixed-interest

Deutsche Bank's bull and bear bonds (dubbed Tom and Jerrys in West Germany) fall into the first category and were modelled on a formula developed by Daiwa for an ssue in June for Swedish Export Credit and linked to the Nikkei Stock Average of 225 stocks.

The bull bond's redemption amount rises if the index increases shows no improvement. Conversely, the bear bond has a higher redemp-

exposure to stock market fluctuations because the variations in re-

In the case of SEK's bull bood, the Nikkei Stock Average has to rise to 25,606 for the investor to be redeemed at par at the end of five years. If the index rises to 27.919. the investor is redeemed at 110.59. On the bear issue, redemption will be at par if the index falls to 19,184, but will fall to 60 per cent if the index is at 27.919.

Both types of bonds provide coupons of 3 per cent, well above the average 0.7 to 0.8 per cent dividend yield on the Tokyo stock market.

Daiwa said the bear bonds had been sold to Japanese institutions which held a large Japanese equity portfolio hut were unable to sell shares because of their close relationships with companies. Large diversified portfolios could be expected to move roughly in line with the Nikkei stock average and thus the bear bond constituted a reasonable

The bull bonds, Daiwa said, bad a broader professional speculative appeal. They could appeal not only to investors in the Tokyo stock market domiciled in Japan but also to portfolio managers who were at their limits for equity investments but wished to increase their expo-

Critics of the structure say that moves expected from the Japanese authorities to relax curbs on hedgdownside risk. This is achieved by a ing techniques will destroy the reaseparate swap arrangement, proson for buying index-linked bonds. tecting issuers Guinness and Mitsui On the Osaka stock exchange, for Trust from exposure to the variable example, stock average futures issue amount. trading is to be allowed and the fu-

The investor in Guinness' bond is tures on the Nikkei index will be redeemed at a minimum of par but four-year view. traded on the Singapore Internaat a premium if the index is above tional Monetary Exchange from For instance, if the index, now trad-ing around 135, has risen to 300, in-In contrast to Daiwa's deals, vestors will receive \$18,072 for ev-Deutsche Bank's five-year bond ery \$10,000 note. Unlike the bull and bears, these was priced so that the bear was bet-

bonds appeal to Japanese investors who lack the expertise to enter the US stock market directly and are unable to trade NYSE index futures and options from Japan.

The bond's coupon, 3 per cent, is about 0.5 per cent below the average dividend yield on the New York Stock Exchange, However, this represents the cost to the investor of the protection against capital loss offered by the "nice" bonds.

are redeemed at 94 and the bears at A \$100m bond announced in New York last week by Salomon Broth-The other form of stock index ers hut intended to be sold internationally was a purer bull instru-ment. This, the first bond to offer bonds has been linked to the New York Stock Exchange Composite Index. Nomura devised the NYSE the investor a four-year play on the ("nice") bond, which provides the in- S&P 500 Index, provides the inves-

vestor with a three-year view on the tor with no income at all. His sole New York stock market with no cost is an opportunity cost as he

> Unlike Japanese investors. US investors can trade the S&P Index and many other stock indices on active futures and options markets. But these notes uniquely offer a

Sceptics dismiss these issues as innovation for innovation's sake. Others say they will take their place along with bonds incorporating other products from the hedging markets, such as interest rate options, as established parts of the Euromarket repertoire.

Prima	Straights	Conv	FRN	Other
220	2.105.6	92.0	485.0	1,996.5
Prev	1,709.8	152.8	3.845.8	1,845.4
Other	1.338.1	21.2	995.9	73.9
Prev	2.513.5	189.8	1.064.0	132.6
Secon	dary Market			
USS			15,445.3	4,918.2
Prov	23,187.2	1.074.8	14,752.1	5,648.3
Other	9.872.4	237.9	1,863.9	2.938.9
Prev	2,606.6	105.9	2,112.3	2,7424
	Cedel	Euro	clear	Total
USS	12,909.4	35.2	3.10	48,1110
Prev	13,047.1		69.1	52,218.2
Other	7,730.0		12.2	17,342.2
Prev	7.547.0		20.1	17.467.1

up with floaters THE FLOATING rate note market formula, the bond pays interest at was steadily tapped throughout last 50 basis points over six-mooth Liweek by banks seeking both term bor for the first five years, at 37%

seemed strong enough to sustaio and then at 25 basis points over. this onslaught and although inves-Perpetual bonds for UK mertors were selective, a number of chant banks have, however, been other issuers were believed to be few and far between and have mostwaiting in the wings, writes Clare ly traded poorly. A deal for Hill Samuel issued two years ago and British banks Lloyds and Morgan paying 4 per cent over Libor trades Grenfell both launched perpetual at around 96, while Kleinwort Bendebt to boost their capital ratios. soo's, paying % per ceot over Libor.

Since Lloyds is a clearing bank its trades at around 97. In the event, an initial spread of issue was easily compared with existing commercial bank issues. " point struck investors as irresisti-Morgan Greofell, however was issuble and the deal traded well within ing into the market for accepting its hefty 1 per cent commissions. The deal was quoted at about 99.50 Lloyds' bood, priced at 100.10 bid to 99.60 offered. Some dealers. with interest payments at 10 basis however, said that at some stages points over the six-month Londoo prices diverged widely from this interbank offered rate (Libor) and spread.

In a thin fixed rate market, there providing 20 basis point fees was so uccessfull that some dealers said was a trickle of demand from insti-Lloyds might have been less gen- tutional investors despite the dolerous. Immediately after the lar's decline and this week's Treasulaunch, the bond traded above its is-

UBS Securities' \$100m 7's per cent four-year bond for Philip Mor-ris, a household name with appeal sue price and ended the week quot-Morgan Grenfell's \$200m parpriced deal, led by Morgan Stanley in Switzerland, seemed to go down International, was on first look well. Credit Suisse First Boston's S500m 7 per ceot three-year bood even more generously priced. Constructed on the "step-down" coupon for Denmark, however, did oot

French state shippers buy Chargeurs unit | UAL merger hits snag

BY PAUL BETTS IN PARIS

COMPAGNIE GÉNÉRALE Mari- chance to cover the world. time (CGM), the French state shipping group, is taking over for a symbolic franc Chargeurs Reunis, the lossmaking cargo and container husiness sector ship subsidiary of Chargeurs, the broadcasting. private transport and communications group.

tion in the fiercely competitive world shipping business by giving CGM, which concentrates on the North Atlantic and the Pacific, the and the Far East.

It will enable Chargeurs to shed its lossmaking cargo business and concentrate on other industrial and husiness sectors such as television

Mr Jerome Seydoux, chairman of Chargeurs, is one of the main shareholders in France's private The merger is designed to ration—shareholders in France's priva alise and strengthen France's posi-fifth channel television network. : Chargeurs also owns UTA, the

ing in long distance routes to Africa.

and the second s

undergoing a major restructuring

The state shipping group, which is not among the nationalised comis not among the nationalised com-panies soon to be privatised, lost FFr 270m (\$40.2m) last year after losing FFr 366m in 1984 and FFr 546m in 1983. The company's deficit is expected to total about FFr 200m profitable French airline specialis-

CGM's restricturing envisages structuring and redeployment prothe reduction of the company's fleet gramme.

However, the merger is not with- from 46 ships to about 30 and cutout risk for CGM, which is already ting about 1,000 out of 4,500 jobs. Chargeurs Reunis, which CGM is taking over, lost FFr 261m last year on sales of about FFr 3.1hn.

ter compensated than the bull if

things went against him because,

Deutsche Bank said, their sample

of investors tended to be bullish.

With increasing nervousness on the

West German stock market last

week, however, some traders said

investors turned out to be better

If the FAZ index on redemption

is the same as the level at which it

was fixed on July 30 then the bulls

disposed to the bear bonds.

123 per cent.

The Chargeurs group has agreed to inject funds into its cargo and container subsidiary to restructure its capital before shedding it in the last quarter of this year to CGM.

Moreover, CGM has received FFr 700m In capital grants from the state for 1966-87 to back up its re-

UNITED Air Lines (UAL), the largest US domestic carrier, implied at Frontier captains by 7 per cent a the weekend that its planned take- year to bring them to parity with its over of Frontier Airlines from Peo- own pilots in about eight years, a ple Express could collapse because proposal which has been rejected it has rum into an impasse in negotiations on a new pay scale for pilots, writes Terry Dodsworth in New York.

The conflict with the Air Line Pilots Association (Alpa) concerns pay rises for the pilots rather than the cuts predominant in the industry. Frontier pilots, employed by a low-cost and financially troubled airline, earn about half of what their peers are paid at UAL \$68,400 a year for a 737 Frontier pilot against \$115,000 at UAL.

UAL wants to increase the pay of hy the Frontier pilots.

Mr James Hartigan, president of UAL, said when the company framed its offer for Frontier, it made "numerous economic assu tions" about the use of aircraft, fa cilities and the cost of labour.

UAL warned that the pilots' in transigence had "imperilled" its merger agreement with People Express but gave no indication of the prospects of the takeover going

Malaysia seeks \$350m

house debt, a less clear-cut area

ed at 100.15 hid.

Friday, the closing date for bids, but is unlikely to be increased.

Another success was the S1 tax-spared tranche.

widely reported as saying the counwidely reported as saying the coun-try would reschedule its debt. The loan is to fund development proreports were later denied.

WITH MANY Euromarket bankers Greece's Public Power Corporahaving decamped to the south of tion increased its loan from S100m France, virtually no new mandates to \$150m with the nine lead managwere awarded last week, writes ers cutting back their commit-Alexander Nicoll in London. ments. Credit Foocier's \$300m facillexander Nicoli m London.

Malaysia's request for a \$350m ity was also oversubscribed with oan puzzled the market because commitments totalling over \$400m

Another success was the \$120m tion. At least two groups of banks Eximbank-backed loan for the Ger-were believed to be bidding for the ede-Ankara motorway in Turkey, 10-year deal, which is to include a which bas been oversubscribed with possible room for an increase.

Pricing is sensitive given the Cyprus, a rare but respected borcountry's economic and political difficulties and memories of the flap in bids on medium-term financing of April when the Prime Minister was between \$80m and \$100m, with the jects and repay existing debt.



Ireland

U.S.\$300,000,000

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All of these securities have been sold. This announcement appears as a matter of record only.

Continued Japanese support in some doubt

cent to get the anction away thing of an extreme view. The

consensus came closer to the 7.50 per cent to 7.60 per cent range, and there were a few analysts prepared to bet that the

Japanese would not be as re-luctant as the pessimists be-

WILL THEY or won't they? Will Japanese investors come in on the Treasury refunding due this week and shore-up demand as they have over the past few years of record deficits? Or will yields need to go higher to attract the apanese and other foreigners? Japanese and other foreigners?

These questions over foreign support for the US Treasury borrowing programme have been nagging away at the credit market for the best part of the last two weeks. The fear is that the Japanese in particular will be scared away by the currency risk in investing in dollar denominated securities denominated securities at a time when the tide see

to be flowing inexorably against the American unit. Many Japanese investors have already been hurned very badly on their US bond dealing. They on their US bond dealing. They were major participants in the last refunding in May, when they are believed to have hought shout two-thirds of the 30-year long bond and around one-third of the 10-year notes. Since then they have taken a paper loss of around 7 per cent as both prices and the currency faccounting for roughly 4 per (accounting for roughly 4 per cent of the loss) have moved

US MONEY MARKET RATES (%) US BOND PRICES AND YIELDS (%)

moved up steadily from the middle of last month. Back en July 15, the bellwether Treasury long bond, for example, was yielding 7.11 per cent in the wake of the last discount rate cut to 6 per cent. By Monday of last week, the yield had jumped to 7.57 per cent, and despite a spluttering rally in the rest of the week, it ended at 7.45 per cent. steadily from the

last 12 months. "In addition, rates are still structive here relative to other places shroad, and the US remains a comfort-able place to invest." The first move to rally in the

cessfully. But this was some-

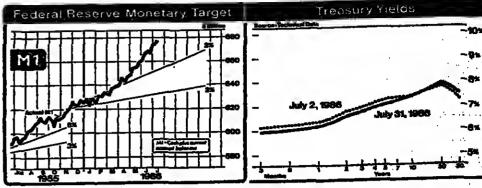
face of the bearish views on Japanese intentions came on Tuesday, mainly in response to some unexpectedly clear-cut comments on interest rates from Mr Paul Volcker, chairman of the Federal Reserve, and usually a mater of the runtum Dirase. a master of the runic phrase. He gave a strong impression that the Fed could toleate a further decline in the dollar, and that there was room for nore reductions in interest rates -long-term rates, he said, were high relative to inflation. The market recovered its nerve a little on these comments, and was further belped by a flurry of short covering, as investors who had sold short in the ex-pectation of further price falls

From then on, the market ran into choppy weters, thrown backwards and forwards in flicting economic news. On Wednesday, the announcement that the Treasury was planning

rushed to cover their positions.

type that has occurred over the to issue \$28.5 on in the refunding knocked prices back a little ing knocked prices back a little as investors were forced to focus yet again on the prodigious hunger of the US Treasury. But on Thursday, more evidence of an anaemic growth—new orders for manufactured goods were down by 0.3 per cent in June—helped bond prices recover some of their lost ground.

Only a day later, however, investors were having to reconsider the economic numbers. The latest economic indicator statistics came in to show a 0.3 per cent rise in June, well above Wall Street's expectations of around 0.1 per cent, while new unemployment figures showed a fall to 6.8 per cent in July, the lowest since January, and a significant fall from the 7 per cent recorded in the previous



These figures clearly keep the rnese agures clearly keep the guessing game on the economy well and truly open for the time being, feaving Wall Street growth estimates for the current half year all over the place, from zero to 3 or 4 per place, from zero to 3 or 4 per cent. Mr David Jones, of Austrey Lanston, summed up these conflicting forces in the following way: "To an un-precedented degree," he wrote in his weekly analysis, "the US

economy is split into two opposing forces. As the second quarter came to a close the negative forces seemed to be threatening to pull the economy into recession. However, stronger employment data for July released last Friday suggest that at least a moderate second half rebound may be in the offing."
"Looking shead," Mr Jones
went on, "the stronger forces

second-half pick-up in real economie activity remain concentrated in the expanding service producing sectors...
Payroll jobs in the manufacturing sector declined a disturing 23,000 in July marking
the sixth consecutive monthly
decline."

Terry Dodsworth

"For a Japanese investor, the it was a year ago," says Mr dollar is a better bet today than Bill Griggs, of Griggs & Santow, (accounting for roughly 4 per cent of the loss) have moved against them. Mainly in response to these anxieties, bond yields have Some dealers were arguing bill Griggs, of Griggs & Santow, exrlier in the week that the long bond yield might have to be pushed right up to 8.0 per fall in the US currency of the

Meved.

Index-linked issue underpins funding strategy

index-linked gilts passed off smoothly last week. The tender for £400m of 21 per cent Index-Linked 2016 stock was well sub-scribed, and not eoough stock was left to operate as a tap. The market responded well to tender, and index-linked stocks but on up to 1 point.

allotted in full and this priceslightly dear to the market-indicated that the Bank of England's source of specific investment demand did not get cold feet at the last moment. The tender provided the Government with close to £400m

of relatively painless funding at competitive rates, with the second payment postponed by two months. This will have provided some comfort to those market analysts who have begun to show signs of concern over

the funding programme.
The Government's target for The Government's target for to meet its target contribution oil tax revenues so far this year the public sector borrowing requirement in the 1986-87 financial year is £7bn. With gilt-off entirely, however. By leav-

financial wear amounting to around £81bn, gross funding needs to account for some

Treasury officials say the funding picture so far this year looks worse than it really is.
In the first place, the seasonal
adjustments applied to the
public sector borrowing requirement are slightly dodgy, and it is not clear that they fully re-flect the loading of the PSBR in the early months of the year.

Secondly, redemptions of gitt-edged stocks are also loaded at the front end, they say, which makes the figures for net gilts sales look especially poor. This effect is compounded by the weakness of National Savings' sales in the first two months of the financial year.

National Savings was a disappointment last year, failing to meet its target contribution to Government funding. It would be a mistake to write it

edged redemptions over the full ing its interest rates un-financial wear amounting to changed it has managed to around £81bn, gross funding become more competitive in the

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YEN STRAIGHTS
Asien Dev Bk 7's 94 ...
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World Bank 10% 89 ... The GUILDER STRAIGHTS ABN 8 89 ... 200 ABN 77 89 ... 150 Amre Bank 78 89 ... 200 Bastrles Foods B's 89 200 C C Rabo 9 89 ... 250 C C Rabo 8 89 ... 250 C C C C Rabo 8 89 ... 250 C C C C Issued Price 50 1057

Cred National 10% 86
Crad Metional 11% 81
Osnreark 10% 91
Ebco Ind 10% 83
EEC 11% 91
EEC 11% 93
EEC 10% 93
EEC 11% 93
EEC

New Issue

June, 1986

Can. \$30,000,000



Loewen, Ondaatje, McCutcheon Inc.

2,500,000 Common Shares

Merrill Lynch Capital Markets acted as financial advisor to Loewen, Ondaatje, McCutcheon Inc.

Union Bank of Switzerland (Securities) Limited

acted as a distributor of these securities.

Jelin III

CORPORATE FINANCE

Wall Street checks AMC's novel funding

that has run out of cash. You have time being at least, speculation that some of its securities in the compa-already pumped a lot of mocey into the overseas operation, have finan-the overseas operation, have finan-Renault in France might force it to Rather in the manner that banks dition, the Renault element in the and do not want to chip in more years of bloodletting at AMC. painstakingly over the years.

Renault, the nationalised French will be used for working capital to car company, found to this conunsee it through a lean period before drum is due to be put into effect lat- the launch of a new batch of models er this year at American Motors starts next year. But apart from in-(AMC), the US company in which it jecting \$200m of fresh funds, the ishas a 46 per cent stake.

the control of the co

ry Dodsword

603 (200) - 201 - 401 -

100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 10

relatively painless, and certainly the present wildly improbable lev-cashless, way of reconfirming its commitment to the US company. It will also bring some \$200m into AMC from investors willing to take to the new convertible preferred a flutter on a high-yield security in stock. But as part of the transaction

BY OUR FINANCIAL STAFF

BY OUR FINANCIAL STAFF

American banks plan to

TWO US hanks. Maryland The merger calls for the ex-

The banks said their affiliates have unanimously approved a definitive merger agreement. The value of the transaction, cent of its shares at \$31 a share

based on current market prices after the exercise of the option, for Maryland National's stock, while Maryland National is about \$438m or 1.8 times the granted American Security an

book value of American option to purchase 3.15m of its Security at December 1986.

Tan Koon Swan disposals

Security common:

unite in \$438m deal

YOU ARE a large nationalised mo- a company with an uncertain fu- it is underscoring its cootinuing both of the new convertible stocks the conversion rights on the pub-

ainstakingly over the years.

What do you do? The answer that

will probably be set at a rate of between 8 and 9 per cent. Proceeds has a 46 per cent stake. Sue will give the group a new foun-If the scheme is accepted by dation on which to refashion its balshareholders, if will give Renault a "ance sheet and reduce debt from

cial troubles of your own at home pull out of the US after several sometimes swop their loans for eq- new preferred stock is being prouity in corporate restructurings, it vided at the expense of debt, therefunds. You clearly need to bring in the capital reconstruction being is exchanging a bundle of its debt by bringing overall borrowings fresh investors, but you want to do put to shareholders hinges on the it without losing the stake in the af-sale of a new issue of convertible cumulative preferred for AMC's debtequity ratio will thus filiate that you have built up so preferred stock on which dividends another class of junior preferred fall at a stroke from a whopping could well rise above 50 per cent. shares. Because this stock is 7.79 to 1 to 1.70 to 1 - still not a figclassed as "junior," it will rank beclassed as "junior," it will rank be ure that excites great confidence, hind that of the convertible to be of but one that should help it to get fered to the public in terms of claims on dividends or assets. Only , and trade funds. the common stock will rank lower.

> This is a demonstration that Renault is supportive of our strategy, public is to be matched almost ex-Mr John Tierney, chief financial of actly by the amount of junior preficer, says. "By taking securities of ferred with which Renault emerges a debt character and exchanging from the deal. By this means, the them for equity, it is taking more of French group will limit potential di-

There are two other important automatic conversion rights to details in the reconstruction. First, match pari passu, every exercise of riding on the new product range.

tor group with a foreign affiliate ture; and it will lay to rest, for the presence in AMC by transforming will count as equity, thus pushing licly-held stock.

According to the offer document, Renault's stake could decline to 40 per cent on a fully diluted basis. making certain assumptions on the conversion price of the shares. At the other end of the scale, assuming the exercise of new warrants, the AMCs debtequity ratio will thus French company's holding in AMC

In order to raise cash AMC has had to sell its special vehicles division and its corporate beadquarters for a total of \$140m, but it is still in dire straits. The company's working capital decreased from \$190m at convertible preferred offered to the end-December 1980 to S3m at the close of 1985, and decreased further to a negative \$31m at March 31

All in all, the document demonstrates why so many analysts were dubious about Renault's decision to a gamble on the equity side than be-fore." bution on conversion: one of the clauses in the transaction gives it back in 1979.

Everything now, therefore, is

Petrofina profits held in check

improved access to short-term bank

Second, the amount of the new

PETROFINA, the Belgian oil and energy group which owns Charterhouse Petroleum, the British oil company, reports a 8.4 per cent rise in net consolidated profits for the first half of this year to BFr 9.45hn (\$219m).

The figure, however, takes into account a BFr 4.8hn provision for reduced stock values brought about by the decline in gets by one-third.

The company, which is Bel above the Ekofisk Field, in the North Sea. is forcing the group to jack-up the platform decks of the central complex.

The distribution, and petrochemical sectors.

The fall in crude oil prices insuring safety in the event of severe storm conditions. Meanwhile, major modifications to certain platforms to reduce National and American Security.

Are to merge in a deal worth

S438m. After the deal, their combined assets will total

Security common.

brought about by the decline in gets by one-third.

Subsidence of the seabed wave impact have been made. to certain platforms to reduce

Alcom rights left with Alcan of Canada

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN politician Tan Koon Swan, the man at the centre of a stock market crisis in Singapore and Malaysia, has agreed with three broking houses the sale of shares in two companies related to him.

Under the accord, the brokerage firms—Baltas J. & Co, Tan E. G. & Co and Ong & Co—can sell their shares in Supreme Corporation and Grand United Corporation and Grand United Holdings, both Tan companies, for 60 cents each. The prospective buyer is Freelin Investment.

The deal relates to forward contracts belonging to Pan-Electric Industries, which went into receivership last November owing \$390m. Mr Tan faces trial today on a number of charges relating to the failure. If the shares are not sold in 18 months, the brokerage houses can sell them to Freelin lo the week following the period at \$1.20 per Supreme share and 90 cents per GUH share. Freelin is a Singapore company formed to help solve Tan's forward contract problems.

A 32.6m ringgit (\$12.4m) rights which holds 40 per cent of raise working capital for the

A 32.6m ringgit (\$12.4m] rights issue hy Aluminium Company of Malaysla (Alcom) has attracted virtually no interest among minority shareholders. This has left Alcan of Canada, the principal shareholder, with almost the entire issue.

At the recent close of the offer, acceptances for a total of 13.09m shares were received—lincluding 13.05m from Alcan,

The lack of response to the two-for-three rights Issue was to be expected as Alcom shares imports. Another "suhstantial loss" is expected for the current year, but Alcom said it is confident of better times ahead.

Changes at National Intergroup account for tiny \$1.5m profit

BY OUR NEW YORK STAFF

of \$1.5m in the first quarter of its fi- changes in the group as it moved rate of \$2hn

per share of 11 cents against a loss wide Financial, which was sold in against a loss of \$6.6m on sales of of 80 cents a share in the same peri- December 1985, and \$3.1m from the \$95m in 1985. The group's National od of 1985 when net losses amount- sale of the materials distribution. Steel affiliate, in which it now has ed to \$12.3m. Sales in the same business which is now being fina only a 50 per cent stake and which quarter of last year came to \$126m, lised. with the acquisition of two distribution groups in the last 12 mooths act that sales of Foxmeyer, the phartagainst a loss of \$10.8m last year.

former US steel company which revenue between the two periods. March, should increase by more has been diversifying into the distribution field, earned a tiny profit parable because of a series of cell year, approaching an annual

nancial year oo sales of \$1.1bn.

After the payment of preferred dividends, the company had a loss come of \$15.8m from First Nation profit of \$3.5m on sales of \$35m.

NEW INTERNATIONAL BOND ISSUES

NATIONAL INTERGROUP, the counting for the big difference in maceuticals group acquired in

lised. is accounted for on an equity basis,
Mr Howard Love, chairman, said had an attributable loss of \$2.5m

Berrowers	Amount m.	Maturity	Av. lifo years	Coupon 0:0	Price	Book Runner	Offer yie
U.S. DOLLARS							
Mori Seiki Co. 51	08	1991	5	275	100	Yamaschi (nt. (Eur)	2 87
Ter Electronics 11	50	1991	5	27.s	1901/4	Noovers int.	2.82
Japan Bev. & Con. 91	30	1991	5	270	199	Nikko Sees (Europe)	2.87
Midum Chemicals ".1	29	1591	Š	27.	100	Danca Europe	2.87
Irageya Co. ¶İ	30	1993	7	33/4	100	Nomera Int.	3.79
Royal Co. 51	70	2001	15	25/8	100	Корон Капрус К' шаги	2 64
Nippen Shinpan 11	250	1991	- 5	23.	100	Oaiwa Europo	2.7
Negoca Shimpan 1	50	1991	5	22.4	100	Nomera Secs (S'pore)	2.7
Philip Merris 1	100	1990	4	75-2	1013#	UBS (Secs)	7.2
Den norske Creditok 11	300	1996	10	(a)	100	Morgan Stanley	1.2
Baikatsu Motor Co. 1	60	1991	5	127-21	100	Nitho Secs. (Europe)	
BFCE 1	160	1996	10	77/8	100	CSFB	7.87
C. Itali (c) İ	30	1991	5		1001/0		7.5
				В		Daiwa Europa	7.5
Centrest Savings (d) † ‡	200	1996	10	3bp	100	Sanque Paribas	
Linyds Bank (e) 11	608		=	10bp	100.1	Lioyds Merchant Bk	
Taisei Pretab Con. 🧖	25	1991	5	(2 to)	100	MAko Sees. (Europe)	
Xerox Credit Corp. \$	100	1990	4	75.2	1005	Nomera Int.	7.31
Xerox Corp. ‡	100	1996	10	83.0	101 ³ ·o	Nemura Int.	8.16
Denovark ‡	500	1989	3	7	10014	CSFB	6.90
Credit National B‡	50	1991	5	9	10112	IBJ Int.	
GMAC I	200	1591	5	75 z	10174	SECI	7.31
Skanska Backen **(f)†‡	25	1991	5	Ve	100	Morgan Stanley	
Morgan Granfell (g]†‡	200	-	-	50hp	100	Accigan Stanley	
Bergen Bank (b) 11	200	-	-	1·0	100	Opinya Europe	
SociétéGénérale † I	200	1996	10	(jl	120	Soceté Générale	
CANADIAN DOLLARS							
BNP ‡	200	1991	5	91/2	101 ³ o	Dainra Europe	9.14
SWISS FRANCS							
Mari Seiki Co. ** ¶ †	30	1993	-	1	100	Credit Suisse	1.09
Dailei Akeninium *** †	25	1991	_	3/e	100	Handelshank	0.79
Kitz Corporation ** 71	60	1891	_	3/4	100	Credit Suisse	N 75
Sakitokyu Kogyo **¶1	40	1991	_	3/4	160	Swiss Volksbank	0.75
Fluor Corp. **1	150	1993	_	51/2	100	UBS	5.54
Ford Credit Canada III	75	1991	_	61/2	100	USS	0.5
Asahipan Corp. ** ¶	30	1991	_	111	.00	Bge Morgan Grenfell	
Utoke Express **	20	1991	=	(5½)		Credit Suisse	
Undever Canada III	50	1991	=	6	186	SBC	
		1991		62.4	100	SEC	
Muntreel Trustco 8‡	36	1991		914	100	566	
FRENCH FRANCS		4000		•	***		
CCCE (P)+ ؇	600	1993	7	Ve	100	CCF	
LUXEMEGURG FRANCS			_				
Figure of the Danish Ind. **‡		1991	5	7ነ⁄ቱ	100	Kredietbank Int.	7.50
YEN			_				
Danenark ‡	1 Other	1993	7	6%	10112	IBJ Int.	5.6

* Not yet priced. † Final terms. ** Private placement. § Convertible. † Floating rate notes. ¶ With equity warrants. Ø With bond warrants. I Convency Grand. (a) Equal to five Liber. (b) Ve over 3m Liber. If this equals or surpasses the comparable rate in Paris +14, bond will pay Franch interbank rate +Ve. (c) Deformed coupus. (d) Stop over 6m Liber. (e) 10bp over 6m Liber. (f) Ve over 6m Liber. (g) 50bp over 6m Liber. (e) 10bp over 6m Liber. Vields are calculated on AIBO basis.

All of these Warrants have been offered outside the United States and may not at any time be offered or sold in the United States or to crizens or residents thereof. This announcement appears as a matter of record only.

New Issue / July, 1986

Salomon Inc

Treasury Note Calls

250,000 Warrants to Purchase 7%% U.S. Treasury Notes due May 15, 1996

> Each Warrant entitles the holder thereof to purchase \$1,000 in principal amount of 73/2% United States Treasury Notes due May 15, 1996.

Salomon Brothers International Limited

LONDON: One Angel Court, London, EC2R 7HS, England NEW YORK; Salomon Brothers Inc, One New York Plaza, New York, NY 10004 TOKYO: Salomon Brothers Asia Limited, Fukoku Seimel Bldg., 2-2 Uchlsalwai-cho, 2-chome Chiyoda-ku, Tokyo 100, Japan ZURICH: Salomon Brothers Inc, Stadelhoferstrasse 22, 8024 Zurich, Switzerland

DIASONICS

U.S. \$25,000,000

offered, sold or delivered in the United States of America or to citizens or residents thereof. Tiese Debentures having been sold, this announcement appears as a matter of record only.

Diasonics, Inc.

61/2% Convertible Subordinated Debentures Due 2001

Credit Suisse First Boston Limited

Hambrecht & Quist Incorporated

Citicorp Investment Bank Limited

Daiwa Europe Limited

Hoare Govett Limited

J. Henry Schroder Wagg & Co. Limited

Swiss Bank Corporation International Limited

S. G. Warburg Securities

Eleco, the construction, engineering and property group grou neering and property group fighting a hid from Whitecroft, the textiles, building supplies and light fittings conglomerate, launched a fierce attack on Whitecroft's offer over the weekend in advance of the final date for acceptances this Wed-

Whitecroft is offering three

folio carried a book value of £14.07m on June 30, so that the value put on Eleco's trading activities by Whitecroft's offer was £8.84m.

as a whole, and rejected White-croft's claim that this would in-clude a gain which should be treated as an extraordinary

Whitecroft is offering three of its own sharea for every five of Eleco's, valuing Eleco at f22.9m on Whitecroft's closing price of 223p on Friday.

Eleco dismissed this offer as grossly inadequate and said that whitecroft's husinesses delivered net profits of £1.03m in the year to last June, so Whitecroft's offer valued them on a price/earnings multiple of 8.59 times compared with an average of 14.97

Eleco dismissed this offer as grossly inadequate and said that whitecroft's extraordinary losses of £2.1m last year, and if Whitecroft's related to include those, the last two years would show Eleco's profits rising by 54 per cent while Whitecroft's fell by 12 per cent.

Stewart Nairn reorganisation

TERMS HAVE been announced for the reorganisation of Stewart Nairn Group, the international property company. Under the complex deal, Bukhatir Investments will sell its 57.24 per cent stake and Stewart Nairn will undergo a reverse takeover by the management of Ossary Investments will sell its 57.24 per cent stake and Stewart Nairn will undergo a reverse takeover by the management of Ossary Investments and Bence Lane Development for £4,189,000, satisfied by the issue of new Stewart Nairn ordinary shares at 13,75p each. Following this purchase, Mr. John Walker, a director of both Ossary Investments and Bence Lane Development or for £4,189,000, satisfied by the issue of new Stewart Nairn ordinary shares will be placed by the placed by the placed or £4,189,000, satisfied by the issue of new Stewart Nairn ordinary shares at 13,75p each. Following this purchase, Mr. John Walker, a director of both Ossary Investments and Bence Lane Development or £4,189,000, satisfied by the issue of new Stewart Nairn ordinary shares will be placed by Quilter Goodison and the issue of new Stewart Nairn ordinary shares are supplied by Quilter Goodison and the issue of new Stewart Nairn ordinary shares at 13,75p each. Following this purchase, Mr. John Walker, a director of both Ossary Investments and Bence Lane Development or £4,189,000, satisfied by the placed by Quilter Goodison and the issue of new Stewart Nairn ordinary shares at 13,75p each. Following this purchase of Ossary Investments and Bence Lane Development or £4,189,000, satisfied by the satisfied by the placed or £4,189,000, satisfied by the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or £4,189,000 and the satisfied by the placed or the management of Ossory In-vestments and Bence Lane De-

The deal has three linked stages. Bukhatir will sell 48m ordinary shares for 13.75p each and convertible loan notes with a nominal vale of £586,343 for

warned that it would be taking a cautious stance in the coming

The trust said it was con-

cerned at the continued weak-

ness in the oll price, at the lack of growth in the US

would retain more cash than

For the three months to end-June the trust's after-tax earnings advanced from £4.14m to

f4.32m and earnings per share from an adjusted 0.837p to 0.853p. Net asset value per share at the end of the period was 164.56p compared with 163.02p a year earlier.

Shandwick purchase

Authorised £1,000,000

promotion and graphic design.

on the Unlisted Securities Market.

Lazard Brothers & Co., Limited

21 Moorfields, London, EC2P 2HT

Globe Inv.

ahead of

targets

Under the second stage, Stewart Nairn will sell Bukhatir properties in Sharjah and Dallas and receive the benefits of a Floridan property sale. In a return, Stewart Nasm's deht to Bukhatir will be reduced from £2.26m to £723,000.

The third stage will see the John Walker, a director of both Ossory and Bence Lane, will become chairman of the Stewart Nairn Group; Mr J. M. Shaul will also be appointed a director. The existing chairman Sir Victor Garland and three directors, Mr H. A. Gazdar, Mr D. C. Kothari and Mr W. S. Owen will resign.

Renold profit warning

Sir Campbell Adamson, the continued would determine the chairman of Renold, told the outturn for the year. For the annual meeting on Friday that year to March 29 1986 the prettax result was £7.6m (£4.5m). March would greatly affect the first half results. Giobe Investment Trust announced yesterday that it had

beaten growth targets for both income and net asset value in the first quarter of 1986-87, but based maker of power transmission products and machinery, would not therefore, achieva for the six months to end-September profits matching the £2.5m reached last time. First half profits at Renold were normally well below the second he said well below the second, be said,

In the past rew weeks, however, there had been some signs of improvement in demand, and the belief in their strategy to the extent to which that trend achieve that end, he added. In the past few weeks, boweconomy and at a more volatile London market, and said it

The chairman added that the company had all but completed phase one of the plan to return Renold to reasonable profit-ability and was now fully involved in planning for the next phase. This involved put-ting the company in a position to achieve faster growth and

improving the return to share-The directors were confident

Guinness in talks on Scottish hotels sale

By Richard Tomkins

Guinness, the drinks con-giomerate, is understood to ha in detailed negotiations over the sale of two of Scot-land's hest-known hotels to Norfolk Capital, the hotel group, for about £25m.

The hotels are the newly refurblshed Caledonian and

refurblished Caledonian and the North British, both in Princes Street, Edinburgh. They are part of the Glen-eagles Hotels chain and were acquired by Guinness when it bought the Bell's group 6

year ago.

Both hotels had always previously had Scottish owners and their disposal to a London-based company with no other Scottish interests could re-awaken concern about Guinness's attitude towards its Scottish con-

stituents. The group's chief executive, Mr Ernest Saunders, was last month involved in a furore over his decision not to over his decision not to appoint Sir Thomas Risk, governor of the Bank of Scotland, as non-executive chairman of the group. This was seen as a hreach of undertakings given to appease Scottish objectors during Guinness's takeover of Dictillars carlies this year.

Guinness's takeover of Distillers earlier this year.
Guinness would not comment on the possibility of selling the two hotels yesterday, but denied that it had entered into any undertakings about their ownership when it acquired them.

It sold one of the four Gleneagies hotels, the New Piccadilly in London, during the Distillers acquisition; the other in the group is the Gleneagles itself

If Norfolk Capital succeeds in buying the two Edinhurgh hotels, it will take the number it operates to 11. Its last acquisition was in October 1985 when it bought tha Briggens House Hotel near Ware, Hertfordshire, Over the last two years.

near ware, Herifordshire, Over the last two years Norfolk Capital has gradually built np a portfolio of four-star hotels through a com-bination of acquisitions, dis-posals and refurbishments,

Neepsend in loss despite better trend

BY NIGEL CLARK

Neepsend, Sheffield - hased engineer, mada profits in the second half of 1985-86 but they were not as high as the directors had hoped and failed to wipe out the losses of tha first circumstant.

white-downs made in the arso half but they did not get the full benefit of their actions. In the year end-March there was a pre-tax loss of £159,000 compared with profits in the previous year of £353,000. Turn-over was down from £22.97m to £19.27m

to £19.27m. was a write-down in stocks at the Ferro Alloys and Metals subsidiary costing, in effect,

"I would not like to forecast the outcome but despite things being a bit sluggish we are achieving our budgets," he said. For the year under review the company made a trading Mr Frank Wright, managing director, said that they had been hoping to recoup the write-downs made in the first half but they did not get the panies, against losses last time of £198,000.

Finance charges however took £649,000 (£768,000). Below tha line there were extraordinary credits of £495,000 (£42,000) mainly from the profit on the sale of Sheffield Machine Knife to give an attributable profit of £374,000 (£373,000).

to £19.27m.

With tax of £34,000 (£32,000) and minority credits of £4,000 (£10,000) there was a loss per share of 0.89p, against earnings of 2.44p. The directors are recommending an unchanged single final payment of 0.1p.

The problems in the first half were the result of the falling price of molybdenum. There was a write-down in stocks at the Ferro Alloys and Metals

The proceeds of the sale of land for a supermarket.

the Ferro Alloys and Metals subsidiary costing, in effect, 2500,000.

The price of molyhdenum has stabilised but Mr Wright remained cautious about the prospects for the present half.

Planning permission had been turned down by Sheffield City Council, but Neepsend was appealing to the Department of the Environment and was optimistic of success.

Hobson chief lifts stake

of Hobson, the loss-making USM start-up venture which went through a reorganisation last month, has increased his shareholding from 1.2m to 2.5m shares. He now has a 9.6 per

cent stake.

The company came to the market in 1984 to develop a process for making extrusion dies. However, it has yet to trade and bas been troubled since its formation by hitter boardroom wrangles. Last month is announced losses of £209,000 (£68,000) for 1985 and

since its formation by hitter boardroom wrangles. Last month is announced losses of £209,000 (£68,000) for 1985 and surrendered control to Mr Stanley Sharp, an accountant. Mr Harnett, who took over the chairmanship from Mr David Stewart in April, has exercised his option to buy another Im shares cum rights from Mr Stewart's holding.

FORMINSTEP

Forminster, which makes clothing, slightly increased full-year taxable profits from £1.58m, against £15.35m. Earnings per share for that exercised his option to buy dend is 4.5p (4p) for a 6.53p (6.03p) total, Forminster said that current

Mr Rodney Harnett, chairman rights to 600,000 shares under the terms of last month's rights issue, but has renounced his rights to 160,000 shares and has disposed of 300,000 cum

rights.
The directors said they noted the sharp rise in Hobson's share price in the last few days hut are not aware of any reason for

Forminster

Forminster said that current

from Mr Stewart's bolding. Forminster said that the has also taken up his sales were encouraging.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY 161% U.S. Dellar Notes Series FE, due 1988 -Security Reference No. 468 377-

Notice of redemption

Pursuant to Article 5 of the Terms and Conditions of the Notes, we hereby announce that all outstanding Notes of the above issue in the nominal of U.S.\$100,000,000,— are to be redected of October 29, 1986 at a price of 101% of their principal amount. The Notes are repayable on or after October 29, 1986 to bearer upon presentation of the Notes along wit falling due on October 29, 1987 and 1988

(a) In the United States of America:

at European-American Bank and Trust Company, New York (b) outside the United States of America at the head Offices of the banks listed below, in accordance with the

Deutscho Bank Aktiengesellschaft, Frankfurt am Main Canadian Imperial Bank of Commerce, London and Parie

Canagian imperial saint of Commerce, London and P Generale Bank N.Y., Brussele, Swiss Bank Corporation, Basel Amsterdam-Rotterdam Bank N.Y., Arasterdam Banque Générale du Luxembourg S.A., Luxembourg The Notes shall cease to bear interest on October 28, 1986. The amount of missing coupons will be deducted from the principal. The interest coupons falling due on October 29, 1986 will be paid

Vancouver, in July 1986 BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

Schrift: Holsatia

7 mager, raumsparend Anzeige talt Punktrand

NOTICE OF PREPAYMENT

The Dai-Ichi Kangyo Bank, Limited (Incorporated with limited liability in Japan)

US\$50,000,000

Callable Negotiable Floating Rate Dollar Certificates of Deposit

Nos. 000001 to 000050, iasued on 15th September 1982, Maturity Date 18th September 1987, Optionally Callable in September 1986.

Notice is hereby given that in accordance with Clause 3 of the Certificates of Deposit (the "Certificates") The Dai-Ichi Kangyo Bank, Limited (the "Bank") will prepay all out-standing Certificates on 18th September 1986 (the "Prepay-ment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank. Interest will cease to accrue in the Certificates on the Prepayment Date. The Dai-Ichi Kangyo Bank, Limited

London Branch P&O Building, Leadenhall Street, London EC3V 4PA 4th August 1986

NOTICE TO HOLDERS OF UNITS IN THE KOREA TRUST

NOTICE IS HEREBY GIVEN that the Manager for the subject Trust, Dashan Invest-ent Trust Co., has confirmed that the fifth distribution is to be made on and efter upust 1, 1981. Record dere for this payment was July 1, 1985. Unit holders may now present Coupon No. 5 to the paying agents listed below. Value the distribution is WON 477 per unit which will be paid in U.S. dollers at the current oller selfing retria quotate by the Korea Eachings Bend on the day that renattance of pendents is made.

Distributions to non-residents of Korea are subject to Korean withholding tax at 28.875 per cont. Residents of countries having a tax treaty with Korea may, upon pre-sentation of a valid affidant, in duplicate, receive the distribution at the following and not withholded to receive.

acts of a variet afficiants, in deplicate, receive the distribution at the following ad withholding tax rates: —
Australia, Bangladesh, Belgium, Denmark, Finland, France, Maleysia, Nerhotrands, New Zestand, Norway, Singsore, Sr. Lanka, Sweden, Switzariand, United Kingdom, West Germany, "
F—U.S.A., Carado, 12%—Lapan, 20%—Turkey, valid affidavit required by the Koraan Tax authorities must take the form of a copy seport. I.D. Card, Caratificate of incorporation, or Certificate of residence issued levial or Local Government, An amended affidavit form C as used for the LLK, tax rites is not accorrable.

prem and Korse.

Paying Agents:

Main offices of Cibbank, N.A., in

sels. Hong Kong, London, Tokyo and Citicon; invest
and Citicon; investment Bank (Lusembourg) S.A., i neest Bank in Zunich

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's ennouncements except where the forthcoming board meetings (indicated thus)) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

TOTAL 1988	C JOHL		
Date	West jest	Date	Andrunce- ment less year
Aug 25	yenr Interim 4.0	MarieyAug 27-	Interior 1.4
iborg Aug 23	Inverim due	CleturanSept 3	Isteria: 2.2
Aug 29	Interim 20	P & O	Interior 6.0
Sept 4	Interim 3.5	-Pentland	. •
Aug 28	Interim 12.0	IndustaAug 28	interim 0.84
IntlAug 28	Interim 4.0	Queens Most	
	(110217411 110	HousesAug 20	Laterim 0.765
annkAug 7	Interim 8.4	PRentokilAug 18	laterier 0.89
		Proyel Insuce Aug 14	Interito 9.2
DREE Aug 30	Interior 8.5	STCAug 4	laterim nii
Sapt 4	Interim 4.25	*SecuricorAug 6	Interim- D.48
		-Sheil	
ppesSept 6	Interim 1.6	TransportAug 7	Interior 12.5
		Sime DarbySept 2	Final 8.6 sun
tone,Sept 4	Interior 1.16	Slough	
tial		ExtetesAug 28	interito 2.2
JinionAug 1a	Interior 4.85	•Smith and	
Sept 6	Interior 2,4	NachewAug 6	interim 1.4
Aug 20	Interim 15c	Smith	
Aug 6	Interim 4.6	(W. H.)Aug 21	Final 0,345
		Standard	
identAug 14	Interior 6.0	CharteredAug 20	Interior 10.6
Aug 5	Interim 3.75	Sun Alliance Sept 4	interim 5.78
idn		*TIAug 7	Interim 5.0
SAAug 20	Finni 80c	Toylor	
Aug 21	latarim 1.76c	Woodrow, Aug 27	Interim 4.0
IntlAug 7	Interim 5.0	Transport	••
1Sept 4	Interim 1.2	DevAug 12	intades 1.7
ghal A	Innuit 80 46	Tricentrol Aug 14	interim 4.0
BankAug 26	Interim \$0.16	*UltramerAug 12	Interim 4.0
ravelAug 22	Interim 0.86	Winter City of	
Sept 2	Interior 2.2	Lada PropeSept 3	out miletat
t sept 2	10mm	WeirAug 28	Interior 9.79
ineonAba 6	Interim 8.0	Millema	
Snpt 3	Interim 4.5	HeldingnAug 29	interim due
Aug 29	Interim 5.0	PVorks ChamsAug 6	Final dua
Sept 6	Interim 24	• Screed meeting intim	eted. T KINDAU
)		lesse since made. 4 Tel	t ties. 3 scul
(A.)Aug 20	Interim 3.8	Issue since made. 4 For	mcast.
-			

DOADD MEETINGS

BUAKD N	ice ings	
The following compenies have notified	FUTURE DATES	
detes of board meetings to the Stock Exchance. Such meetings are usually	Interime -	
brid for the purpose of considering dividends. Official Indications are not evallable no to whether the dividends are interime or finale and the nubdividence shown below are based melally on last year's timetable.	Condor	Aug 12 Aug 6 Aug 14 Aug 6
TODAY Interime: Commercial Bank of Neor	Finale	
East, Consolideted Co. Automatin Mine. T. Cowie, Griqualand West Diamond, STC. Hinels: Lawrio, Nordic Investment Trust, Psel, Rush and Tampkins.	Cantors Jos Holdinge	Sept 6

FT SHARE INFORMATION

The following securities bave been added to the Share Information Services:

Lanca (Drapery & Stores)

Nationwide Bidg. Society 91 pc 6/7/87 (Loans — Building mation Services: Accord Publications (Section:

Societies)
Tomkins (F.H.) 5.6pc Conv. Newspapers, Publishers)
Arlington Securities (Property)
Hodgson Holdings (Industrials)
Tomkins (F.H.) 5.6pc Conv.
Red. Preference shares (Industrials)

GROUP PLC

Worldwide distributors of bearings and power transmission components; manufacturers and dealers in equipment for energy, ... metakoorking and other industries.

- Record sales and profits in all divisions in first full year as a public company, but results were adversely affected by exchange movements.
- UK Manufacturing order books for first quarter of current year are satisfactory.
- Prospects to expand Distribution remain good.

Roger Edwards, Chairman

17 (1)

Financial Summary to April 30th 1986 £000 Turnover 29,623 23,960 1,892 Pre-tax profit 1,830 Analysis of pre-tax profits 1985/86 Copies of the report and accounts of the company can be obtained from The Company Secretary, Wyko Group PLC, Dudley, West Midlands, DYI 10W.

Granville & Co. Limited

Telephons 01-621 1212

8 Lovat Lane London EC3R 88P

Capitaliaat	n.		Channe			P/	€
5000,U	Company	Deta-	Change	Gross	Yield		Fally
4,415	Ass. Brit. Ind. Ord	121	oo wask	air.(b) <u>*</u>	Actual	
	Ann. Art. Ind. CULS	131	=	7.3	5.6	8.0	7,5
6,368	Airsprung Group	110	- 2	10.0 7.a	7.5		
825	Armitage and Rhodes	33		4.3	6.A	6.a	6.1
69,472	Bardon Hill	185	4 1	4.6	13.0	4.1	4.9
4,357	Bray Technologies	79	÷ i	4.3	2.5 6.4	21.0 9.4	18.3
280	CCL Ordinary	80	· <u>-</u> :	2.a	3.6	8.7	5.8
1,075	CCL 11DC CORV. Prel.	88		16.7	1ã. 3	<u> </u>	6.9
13,798	Carborundum Ord	230	+ 7	a.1	4.0	11.3	11.4
630	Carborundum 7.5oc Pf.	90	· <u>-</u>	10.7	11.2	111.0	11.4
5,088	Deborah Services	65	_	7,0	10.Ã	6.8	8.9
3.323	Fradorick Parker Group	23	_		100.14	9.0	0.0
2.270	George Sinir	123	- 2	3.8	3,1	a.2	4.6
2.802 13.224	Ind. Precinion Castingn	69	_	3.0	4.3	18.2	12.2
6,249	lein Group	166	_	15.0	9.0	12.8	19,1
50,990	Jackson Group	120	. 🖚	5.1	5.1	8.2	7.3
3,502	James Burrough	384	+ a	17.0	4.7	10.2	9,2
5,940	James Burrough Spc Pf John Howard Group	100	_	12.8	12.a	-	_
69,399		67	. ==	5.0	8.B	_	_
8,602	Record Ridgwey Ord	890 374	+40 - 1	_	_	46.E	60,8
2,403	Recard Ridgway 10pcPf	89				6.7	11,6
745	Robert Jankins	73	=	14.1	15.8		=
2,100	Scruttonn "A"	35		_	_	3.2	4.8
2,392	Torday and Carlisin	98	+ 3	==			9.0
1,450	Trevian Holdings	320	7-3	<u>6.7</u>	5.8	a.a	6.0
13,200	Unlinck Holdings	65	=	7.9 2.8	2.5	6.7	8.8
25,926	Whiter Alexander	200	+20		4.2	12.2	-11.4
4,434	W. S. Yestes	180	+20	8.6	4.3	11.3	13.8
			_	17.4	9.2	19,0	21.1

COMPANY NEWS IN BRIEF

ocean trading—Mr Ron Brierley's the cash alternative bad been the

DWYER & CO, a property investment company based in Cork, Ireland, plunged into the red in the year to March 31, 1986 with pre-tax losses of 1£23,889 compared with profits of 1£23,889 (200). Earnings per 20p share came out at 0.43p (0.19p) and the interim payment is maintained at 0.6p net. Profit for the period was boosted by extraordinary credits of £751,113 (nil) relating to the net proceeds from property sales. After tax of £3,567 (£1,461), the total came to £759,848 against £3,409.

This advertisement is issued in compilance with the requirements of the Council of The Stock Exchange.

INTRODUCTION TO THE OFFICIAL LIST

(Registered in England under the Companies Acts 1948 to 1981)

No. 1729478

in Ordinary Shares of 10p each

Holmes & Marchant Group PLC is the holding company of a marketing

consultancy group offering a comprehensive range of services in sales

The Council of The Stock Exchange has admitted to the Official List all the issued Ordinary Shares of Holmes & Marchant Group PLC previously dealt in

Listing Particulars relating to Holmes & Marchant Group PLC are available in the Extel Statistical Service and copies of such particulars may be obtained

during business hours up to and including 6 August 1986 from the Company Announcements Office, The Stock Exchange, London EC2 and up to and including 31 August 1986 from Holmes & Marchant Group PLC, Brands House, Kingshill Road, High Wycombe, Buckinghamshire HP13 588 and from:

4 August 1986

FINANCIAL TIMES STOCK INDICES

Shandwick, one of the UK's largest public relations companies, has agreed to acquire for £347,100 Business Image, a public relations company which specialises in high technology

issued and

fully paid £433,992

12 Tokenhouse Yard London EC2R 7AN

DWYER & CO, a property investment company based in Cork, Ireland, plunged into the red in the year to March 31, 1986 with pre-tax losses of 1£23,889 compared with profits of 1£10,249 (£9,700). The attributable floss was £27,162 (£867 profit). Loss per 25p share was 2.58p (0.25p earnings).

MICROGEN HOLDINGS has exchange contracts, for the acquisition of the whole of the issued share capital of Datapro for £1.9(n.

NEXT'S offer for Grattan has become wholly unconditional As at July 29, acceptances had heen received in respect of 49,64m Grattan stock units

Dorted the acquisition by its wholly owned subsidiary, Hunting Oiffield Services of Big June 30, 1986, was 190.24p (116.67p) per ordinary share or 30, 1986, was 190.24p (116.67p) per ordinary share. Group, (£537,000) payable in cash. Big Inch manufactures connector components.

ELECTRA INVESTMENT Trust's net asset value at June 30, 1986, was 197.27p (157.36p) per 25p share adjusted for potential dilutive factors, or 206.07p (158.42p) unadjusted.

SCANRO HOLDINGS has agreed to acquire Trimdon Clothing Company for £482,000 cash subject to sharebolders' approval st an EGM. Trimdon, which is based in County Durham, employs 187 people, and manufactures a range of sports and leisurewear.

HUNTING PETROLEUM re-cambrian And General ported the acquisition by its Securities net asset value at

Securities net asset value at

WHEWAY is buying, through its subsidiary, Wheway Distribution, certain assets of the fasteners distribution business of Fastener House, including trade names, fixed assets and stock and cash for £814,000. The consideration is being satisfied by the issue of 3.15m new ordinary shares, which are being placed at 26p each.

sports and leisurewear.

Changes in company share stakes announced over the past week included:

Cosalt-Director J. Ross sold 24,853 shares and 494,147 (4.87 per cent).

TR Natural Resources-Fol-

Daks Simpson Group—Director J. F. Mengers has disposed of 29,500 "A" non-voting

Cullens—Director D. I. Clax-ton has sold 10,000 ordinary.

Tarmac-A. Osborne, direc-tor, has sold 20,000 shares at

LADBROKE INDEX 1,276-1,282 (-2) Based on FT Index Tel: 01-427 4411

SHARE STAKES

Argyll Group—Kuwait Invest-ment Office holds 14m ordinary (7.085 per cent).

lowing recent purchases, Con-solidated Gold Fields holds 1,525,000 ordinary (5.13 per cent). IFM Foreign Invest-ments lifted holding from 1.7m to 1.9m shares (6.4 per cent).

Wiggins Group—Abela Cor-poration has sold its sharehold-ing.

1986 Since Compilation 88.90 89.06 89.35 89.04 88.88 89.19 94.51 80.39 127.4 49.18 95.85 95.97 96.02 95.74 95.76 96.03 97.68 86.55 150.4 50.53 1273.4 1272.0 1290.3 1271.6 1263.8 1263.7 1425.9 1094.3 1425.9 49.4 196.0 193.3 193.2 205.0 199.3 196.7 357.0 185.7 734.7 43.5 FT-Act All Share 773.01 771.80 775.34 769.09 767.86 767.00 832.39 664.42 832.39 61.92 FT-SE 100 _____ 1561.8 1558.1 1566.3 1556.4 1549.4 1545.8 1717.6 1370.1 1717.6 986.9

Financial Times Monday August 4 1986 21 **EONDON RECENT ISSUES** FT UNIT TRUST INFORMATION SERVICE EQUITIES ## AUTHORISED

UNIT TRUSTS

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Harms Forman St, Will | Laurentian Unit Tst Magnari Ltd | Imperial Life His, Loodon Rd, Guidrord | 0483 503649 | 25 February 15, Manneyee M7 2AF | 061-236 5685 | 65 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 40.5 0.70 | 27 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 40.5 0.70 | 48 Grant | 109.1 | 48 Grant | 109.1 | 48 Grant | 109.1 | 48 Grant | 109.1 | 48 Grant | 109.1 | 48 Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 48 Grant | 109.1 | 48 Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 49 Jandrea Se, Edmburgh 2 American Grant | 109.1 | 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| 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 1780 | 178 | 1.12 | 2.52 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | | In Secret In Column | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 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25 Went and made good (8)
26 Giving minute particulars of 24 Stroke happening in some

ment (o)
4 Former pugilist a long time

ment (6)

document about dog (8) terrific tussle (5)

28 Dramatist wanting help in 26 Came a cropper on upland erotic part (6) erotic part (6)

28 Decide once more to put soldier on bench (8)

29 Annual value of current alimany (6)

tract (4)

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The solution to last Saturday's
prize puzzle will be published
with names of winners next

Saturday

1 Passage about art isn't necessary (7) 2 Having assurance to trust wholly in book (9) in the game (8)

3 Tincture applied to wounds air can ruin (6)

wholly in book (9)

3 Insect found in tree (6)

5 That bird at the bar? (4)

6 Bird of ill-omen to one on

air can ruin (6)

10 Ship having to bail out round
Red Point (8)

12 She may hope to put fasteners round rest perhaps (8)

13 Dramatic scene with leading stoker on ship (6)

15 Suitable when about to bring 14 Strings of invective from one forth (4)

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16 Pairs-skating turning into s

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10 Pairs-skating turning limbing: stop having to sit around (8)

19 Rock with comparatively daring sound (7) (6, 4) 19 Rock with comparatively
28 Pole in dispute (4) daring sound (7)
23 Complete agreement in 21 Bird getting Communist vote world organisation on one safer this? (7)
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22 Ill-will seen in African coun-

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Financial Times Monday August 4 1986 **AUTHORISED UNIT TRUSTS & INSURANCES** -14 -04 -04 -04 -04 -05 +107 -10 Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 12 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Picture For 13 | Pictur 77.4 64.3 Persona Finals

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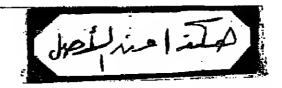
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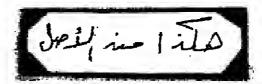
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Financial Times Monday August 4 1986 **INSURANCE, OVERSEAS & MONEY FUNDS** Formosa Fund | 125.0 | 125.4 | 5.56 | Japaner Yes Line | 155.5272 | +11.000 | 151.47 | 11.50 | 5.14 | Japaner Yes Line | 151.47 | 11.50 | 5.14 | Japaner Yes Line | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.000 | 151.0 - World Good Fund Hikks Intl. Cap. Mogt. Co (Europe) Ltd do PO Bos 105, Guerney, C1 0481 21438 Hollsom Fund Mingrof (Jersey) Ltd Title and the second of the se Scrimgeour Kemp-Gee Magnit., Jersey
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24 BRITISH FUNDS	s AMERICANS—Cont.			ENGINEERING—Continued	imes Monday August 4 1986 INDUSTRIALS—Continues
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144an 144\\$\frac{1}{1783}\tag{10c}2000 2234\\$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Mr Ja Se DelTime Inc. ST	Jan. JulyRodinson 10p	Dec. Jasse Conreso 50	October Recovered 31 16.9 0.1 1.8 0.5 17.0 1 Oct Mayffield (Lamber) 16.7 28.4 7.0 2.5 5.977.8) 0 Mar Angilheumsin-Yotis 1.49 30.6 15.5 1.7 5.2 1.4 Feb Augli-prigrid-Haltersley 620 9.12 6475.0 0 5.8 0 1.8	281 July Do. Box Cv Pf £1 J42 2.6 8% 77.9 7.9 7.9 7.9 7.9 7.9 7.9 7.9 7.9 7.
25-Pets 25-Registress 13-last 2000-03 129-218-6 10.62 9.82	Mr Jn Sp Dellyd Tech 27/20.5 \$1/10 3.3 37/217 163.04 5.5 5.5 Mr Je Se DellyWoodwork \$32 27/219.11 \$2.24 5.2	- Sheffield Brick 24 11/81 - 28/73 Jahy Dec. Sendal (Was) 605 12.5 12.0 5.2 28/73 Dec. JahySmart (J.) 100	And Get Bloke Flore 100 63 042 45 07 10 307 3	Priest (Ben) 59 25m(28.7	iops. Feb.Cestremay ted 10s 21 10121
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5ia An Jay (IConsols 21-pc 27 27 24.2 9.25 - 1/4 10cti rest, 21-pc 10dex-Lioked (b) (1) (2) 30 Sep 30 Numbers, 20c (88 (297.11) 222.421.2 2.03 3.95	Massocio Emile. 1780	Section Sect	Mar	Nor May Weir Group	ept. Mar. Doksos Park 10p
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(2) 5%, (b) Figures in parentheses show RPI base month for Indexing, fe 8 months prior to issue. RPI for November 1985; 378.4 and for Jave 1986; 385.8. INT. BANK AND O'SEAS GOVT STERLING ISSUES	Dec June Banco de Bilbao S.A. £224/20.12 028% 2.9 3.2 20.6 March Sept Banco de Santander £164/24,3 1017.0% 2.0 2.2 23.2	Mor Septiscole Group	Waser Las \$40,50	March OciASDA-MFi Grosp 136 13.1 3.15(3.0 3.3)4.4 Jan July Appete Sait 0.10p 136 13.1 3.15(3.0 3.3)4.4 Jan July Appete Sait 0.10p 136 14.7 92.5 4.1 2.3)4.5 Jan OciArryni Grosp 133 14.7 92.5 4.1 2.3)4.5 Jan OciArryni Grosp 133 14.7 92.5 4.1 2.3)4.5 Jan Appete Sait 0.10p 136 13.8 2.5)4.1 Jan Appete Sait 0.10p 136 13.8 2.5)4.1 Jan Appete Sait 0.10p 136 136 136 136 136 136 136 136 136 136	April Ethern AS NKSO
4 Jan 4 Jun African Dr Br 1114_In 2010 105-44 6	Oct Aprilarcials 12 475 110.3 18.6 3.7 5.3 7.1 May Modificationari 20p 48 11.4 11.5 1.7 5.4 15.3 1.5 4.15.3 1.5 4.15.3 1.5 4.15.3 1.5 4.15.3 1.5 1.5 1.5 1.7 2.1 1.9 9.9 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	June Dec Do. Fin. 10 oct/1 n	Jan JelyleMNT Computing Sq. 255 2.6 19.01 3.0 2.4 19.5	Jan Apr Oct April of Troop 50 535 10.2 12.0 0 1 0	hy Jankryloue House
2284ar 22Nov Do. 10 ypt 2009	July HOwerry Securities 112 16.6 12.2 3.2 2.81 3.4 Jiane NovClive Discount 20p 47 28.10 412.5 5.2 April Comm. 68 of Wales 70 10.2 42.4 2.3 4.81 1.5 March Cright Hol. (c.100 621.7 18.3 40.5 7.5 7.5 2.1 March Cright Hol. (c.100 621.7 18.3 40.5 7.5 7.5 2.1 March Destricte By DMSO E23 2.5 10.3 47.5 7.5 7.5 7.5 March Cright Hol. (c.100 621.7 18.3 40.5 7.5 7.5 7.5 7.5 March Cright Hol. (c.100 621.7 18.3 40.5 7.5 7.5 7.5 7.5 March Cright Hol. (c.100 6.5 7	April Feb Morresu Hidgs	May NorMemor 10p	Feb. Sept.Batter; 10p	ay Norf-aton Inds 44 30.9 80.9 0.9 1.61 M. Jahy-Feeder Agric. 100 33 2.6 91.51 2.7 6.41 8.0
1867 1869 187 18	Apr NoviEngini Truct	July DciRestrock Holps	Jamesry Micro Score 10p 123 30.6 1.53 4.6 1.815.6 April August Microgen Hiller, 5.9 3.6 14.7 14.5 3.5 1.722.8 April August Microgen Hiller 10p 135 28.4 44.0 2.9 4.210.3 4.0 2.0 4.0 2	Jol Golffeir, Vending Jüp	ne. Dec. Prierrad-Prote 20p 29 16.9 1.2 - 5.8 - 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
CORPDRATION LOANS 20 Stay 20 Roy (Strangston 13-ye 1989 1344 12-24 9.78 138ay 158ay 10-2 132	Feb JulyGunness Peat 79 24 11.9 26 3.412.7 Jun Augittantors 200	July Noni-Specura Auro 10p 53 14.10 2.5 2.1 6.9 8.1 Setcliffe Spectrum 54 1.79 8 18.8 Thurger Bardex 10p 57-28.4 0.6 4.7 1.51.9.9 June Wardle Storrys 10p 330 0.2.5 15.0 3.3 2.11.9.3 May Non-Workenholme Rink 220 14.4 7.7.5 1.2 5.0/23.7 June Norkolare Clems 142 18.0.3 3.0 3.6 3.0/10.1	Mixel Corp.II	May Det. Do. "4" N.Y 202 I.4 87.2 25 5.011.5 D - (Consortich Mill 10p 36 - 15.32 \$ 7.2 \$ D - Cultor's Nides 10p 799 - 15.32 \$ 7.2 \$ D - Dulepak Foots 5p 128 R23 3.2 5.51.4 N My Jae Sc DeCloan & Krait 51.00 800 81.35 0 27 - Ja	by FebFlevelio C. & W. 304 30.6 43.8 27 5.1.74 20 20 21.2 sp41.77 3.4 0 1.920.7 20 21.2 sp41.77 3.4 0 1.920.7 20 21.2 sp41.77 3.4 0 1.920.7 20 21.2 sp41.77 3.4 0 1.920.7 20 21.2 sp41.7 3.4 0 1.920.7 20 21.2 sp41.7 3.4 0 1.920.7 20 21.2 sp41.7 3.4 0 1.920.7 2.4 4.25 1.0 4.012.9 2.4 4.25 1.0 4.012.9 2.4 4.25 1.0 4.012.9 2.4 2.5 1.0 4.012.9 2.4 2.5 1.0 4.012.9 2.4 2.5 1.0 4.012.9 2.4 2.5 1.0 4.012.9 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5
15Feb 15Aug 6LC 6Auc 1990-92 99 15.1 7.58 9.31 1Feb 1Augsters 6Auc 1990-92 99 15.1 7.58 8.78 2.79 1Aur 10ctl.cets 134-pc 2006 1274-110.3 10.57 10.21 13a Apr 10ctl.cets 134-pc 300-12 137 10.21 11aur 11bed.CC 54-pc 85-87 974 225 5.55 8.78	May Nov. Meanworn, Berson L. 725 1.4 18.0 - 3.5 - 355 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5	DRAPERY AND STORES December Acis Jenetlery 10p 11 121 3.25 3.7 2.81 10.8 10.		Feb-Sept Dee Corp Sp	Oy Jan LGR (Nidsp) 300 12.5 7.0 3.9 3.3 i.0.1 ow Sept Locations 1.5 7.2 1.6 8.2 ne Ded Gives Grp. 20p 123 2.6 3.3 2.8 1.0 1.4 ne Jun Gistan Sto 947 72.4 110.0 3.1 1.5 5.5
Mar Ju 5 5 0 00. 30c 20 Ah	Aur Oct Midstand £1 545 10.3 125.5 2.7 6.77.6 June Occ Mix Aust. Bis. AS1 205 116.6 1027.5 3.7 5.6 5.5 Aug April ax. West. C1 512 10.3 119.14 4.8 5.3 5.5 Jane Ottoman Bank £20 £115 10.6 1060% 4.8 — April Oct (Rea Brothers 60 2.9 4n — — July DecRothschief (1.0 Hilds) 130 14.7 5.0 2.0 5.4 —	- Annier Day 2/ja	May Norse Data 'A' N.K.20 E17-414-5 VQ6-4-4-4 \$\dagger\$ 0.6 \$\dagger\$	Doi.	P. Oct. Grasada 289 102 477.11 18 1627.9 by 166-septe Surface 109 67 2.6 2.1 2.8 4.411.4 forces (2.1.6 Fant 5p. 129 129 139 4.012.8 2.1 June Grove bell 6p. 5p. 9a(28.7 0.35) 5.5 4
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INTERNATIONAL APPOINTMENTS **CONSTRUCTION CONTRACTS**

construction 021-704 5111 0344 426688 SOLIHULL BRACKNELL

Sunderland to have ASDA superstore

ASDA has awarded a f4m contract to WIMPEY CONSTRUCTION UK for a new ASDA superstore to be constructed at Sunderland, Tyne & Wear. The Sunderland development will total some 8,082 sq metres and comprise a superstore with 4.087 sq metres single-level sales area, with office and staff accommodation at first-floor level. The store will be of steel frame constore will be of steel frame con-struction in faced brick-work struction in faced brick-work beneath a pitched, tilled, mansard-style roof. Due to the focal ground conditions the building is supported on 360 piles with strengthened ground beams. The ground level car nark provides 546 spaces. When completed in September, the superstore is expected to create 450 jobs locally.

Theatre to be built in **Basildon**

WIWPEY CONSTRUCTION
MANAGEMENT has been awarded a ffl.26m management to the development of a theatre complex in Basildon District Council for the development of a theatre complex in Basildon. Essex. To be known as the Towngate Theatre, it is to be built on the site of a car park. The theatre will be a two-storey structure, but with different roof levels at 6.8-12 metres and a structural steel fly tower 22 metres high. The development, due for completion February 1988, is intended to cater for touring productions of all forms and the theatre will feature a 550-seat multi-purpose main auditorium linked by the foyer system to a studio seating up to 200. Administration areas, bars and back stage accommodation are included, together with lifts, air conditioning and theatre equipment.

Hard For completion in May 1988. The other contract is for the Army garrison at Tidworth, where James Scott is to install heating, ventilating, compressed air and exhaust extraction systems in motor transport buildings. Work is due to start in early 1987 with completion programmed for late in the same year. The main contractor is Rusb and Tompkins (South West).

Following the completion of a detailed front end study. MATTHEW HALL NORCAIN ENGINEERING, Southampton, has been awarded a f6m contract for project management, engineering design, procurement, and construction of ophthalmic and sterile facilities for The Boots Co at Beeston. The project construction, warehousing and packing areas. Associated plant

New Crown Courts for Derby

R. M. DOUGLAS CONSTRUCTION bas received orders for fil3.2m construction contracts. Work has started on the £5.5m Derby Crown Courts for the Property Services Agency, scheduled for completion in 22 months. The City of Birmingham has awarded a £580,000 design and build contract for industrial and build contract for industrial struction. Site works will soon and a fitting-out contract for industrial struction. Site works will soon and a fitting-out contract for industrial struction. Site works will soon and a fitting-out contract for industrial struction. Site works will soon and a fitting-out contract for industrial struction. Site works will soon and a fitting-out contract for industrial struction.

Crown House gains £27m

CROWN HOUSE ENGINEERING has won 21 contracts across the UK for mechanical and electrical UK for mechanical and electrical services with a total value of over £27m. Contracts for the commercial / industrial sector total £19m and tuclude £3.75m worth of mechanical services for NEC at Livingston (Scotland) and a £5.9m mechanical and electrical services contract as part of the refurbishment of the Old Billingsgate Market in London. Orders include five hospital contracts (£6m) and a further three for the public sector valued at £2.2m.

Two contracts worth more than 28m have been awarded to JAMES SCOTT, mechanical and JAMES SCOTT, mechanical and electrical services, for work at defence establishments. At £1½m, the major project involves beating, veotilating, lighting, electricel services and fuel storage in 21 hardened aircraft shelters, which ARC Construction is building for the Property Services Agency at RAF Leeming in North Yorkshire. The project is scheduled for completion in May 1988. The other contract is for the Army garrison at Tidworth, where James Scott is to install heating, ventilating, compressed

sists of ophthalmic and sterile production, manufacturing, preparation, warehousing and packing areas. Associated plant rooms are located at mezzanine level, containing HVAC equipment acourtect from May & Baker for ment and at ground level, proapled the plant at its Dagenham site. The design and construct cootract, worth about £10m, is due for completion early in 1987.

Hi-tech office complex in Reading

J. M. JONES & SONS has won a f4m contract to develop a hi-tech office complex at Gitlette Way, Reading. The project, on a 42-acre site, will provide about 9,000 sq metres floor space. The two-storey technology unit will be built with a fully fitted first floor and the ground floor completed to shell and core, enebling tenants to design their own standards of finish. Car parking for 384 cars will be available. The client is Beacontree Estates. The company bas a £2m contract to develop an office block at 47-78, Brighton Road, Redhill. The project provides about 3,035 sq metres. The four-storey brick-clad builtding will be built on piled foundations with a reinforced concrete post tensioned frame. There will be car parking for 72. The client is Interland Estates. The final order is for £1.25m to refurbish and redevelop an office block at £1.25m to refurbish and re-develop an office block at 1 London Road, Slongh, also for Beacontree Estates.

WILLIAM SAPCOTE AND SONS bas won nine contracts in the west Midlands totalling more than £7m. They include a £2m improvement scheme at the Barber Institute of Fine Arts. The contract involves a mechanical installation to provide controlled environmental conditions throughout the building and as throughout the building and an extensive roof structure to bouse the equipment. Scottisb Widows Fund is having work worth £1.7m undertaken at its Edmund Street property. It includes a new office building (160-168 Edmund Street) and restoration of listed building on the corner of Church Street.

Under a £6.77m design and build contract, Sir Robert McAlpine & Sons has started work on the Westbrook Centre, an office development/research centre in Cambridge, for Trafford Park Estates. On a 160 metre by 100 metre site next to Cambridge City Football Ground, the centre will have three adjoining three storey blocks of concrete frame construction. Work includes installation of five lifts. The centre will bave a total floor area of 14,800 sq metres. 14,800 sq metres.

Headquarters in Cambridge for RAF

CONDER PROJECTS
SOUTHERN has been awarded
its largest ever PSA contract
(£6m) for offices for headquerters, Royal Air Force Support Command, Brampton, Cambridge. The previous building
was destroyed by fire in October
1985. The develop and construct
contract awarded required Conder to complete the work in 78
weeks. The building is of three
storeys with a floor aree of 9,900
sq metres arranged around two
central courtyards with an additional wing containing a conference suite.

OVERSEAS

Store columns for stability

GKN KELLER has won a £3.7m contract with Cologne traffic department for vibro-compaction department for vibro-compaction of an eight hectare tram yard site in Cologne, West Germany. It is believed to be the largest vibro-compaction contract currently underway in the world. The 15-month project involves installing 20,000 columns of stone in the ground to increase its in the ground to increase its shear strength and bearing capa-city. The site was formerly a rubbish tip and consists of lose filled organic household waste up to a depth of 19 metres.

TAYLOR WOODROW CON-STRUCTION CORPORATION, New York, bas been awarded two contracts, worth a total of \$5.3m (£3.Sm), for work in Canada and the US. The larger order, valued at \$3m. has been placed by Monarch Construction, another member of the Taylor Woodrow Group, for the construction management of a new 462-bay parking garage adjacent to its Heron's Hill office development in Willowdale, Ontarin, Canada. The other contract, worth \$2.3m, is for renovations to two buildings at the Actor Boxborough Teaching Facility in Massachusetts.

French groups due for privatisation name chiefs

Mr Jacques Henri David has been appointed as managing director of Seint Gobein, the glass and pipes group which is a prime target for early privatisation, while Mr Jean-Paul Delacour has become the managing director of Societe Generale, the country's largest commercial bank. mercial bank.

Mr David was finance director of Saint Gobain. He joined the glass and pipes group with annual sales of about FFr 75bn

Mr David will be number two at Saint Gobain behind Mr Jean-Louis Beffa, the chatrmen who was reconfirmed in his post by the conservative government of Mr Jacques Chirac tast week. The appointment of Mr Dela-cour as managing director and number two of Societe Generale

French commercial and market tng operations. He replaces Mr Hubert d'Artemare who has decided to leave the car group.

TWO NEW managing directors have been appointed to two of France's major nationelised groups due to be privatised by the French conservative government.

Mr Jacques Henri David has been appointed as managing director of Seint Gobein, the glass and pipes group which Is a prime target for early privatisation, while Mr Jean-Paul

in 1984. He previously worked at the Banque de France and the Banque de France and was a close collaborator between 1979 and 1981 of Mr Rene was minister when he was minister of finance and economy.

Mr David will be number two at Salnt Gobain behind Mr Jean-Baul was reconfirmed in his post by the new bead of Renault's large state bank. Mr Vicnot replaced Mr Jacques Mayoux as chalrman of Societe Generale. Mr Delacour has worked for Societe Generale since 1968 and was a deputy managing director of the bank.

Changes are also taking place at Renault, the large state bank. Mr Vicnot replaced Mr Jacques Mayoux as chalrman of Societe Generale. Mr Delacour has worked for Societe Generale since 1968 and too minister when he was minister of finance and economy.

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number two of Societe Generale
follows the nomination by the
government last week of Mr
Marc Vienot, the former managing director, as chairman of the

Swiss bank completes reshuffle

bir ADOLF BRAENDLE, deputy general manager of Bank Leu, based in Zurich, has been appointed board chairman of its Bahamas subsidiary. Bank Leu International.

This follows the Nassan bank's involvement in alleged

bank's involvement in alleged insider dealing by Mr Dennis Levine, formerly a leading executive of Drexel Burnham Lashert, the Wall Street investment house.

The Zurich parent bank has now completely changed the Bahamas subsidiary's maisgement and board. Mr Braendie takes over the chairman's post from Mr Hans Knopfil, who remains management Cairremains management cuir-man of Bank Leu in Switzerland.

MARINE MIDLAND BANKS, the New York Bank owned 51 per cent by Hongkong and Sbangbai Banking Corporation, of Hong Kong, has appointed Mr Geoffrey A. Thompson president and chief operating officer from the end of the year. Mr Thompson is currently head of Thompson is currently head of consumer and commercial banking, a post he retains. He has also been elected to the board.

Mr Thompson is Marine Mid-land's first president since 1983, when Mr John R. Pretty moved up to the posts he now holds of chairman and chief execu-

tive. SIR ROBERT COTTON, former Ambassador of Australia to the US, has been appointed to the board of Hill and Knowiton, the international public rela-tions concern, which is part of

Former minister to head Venezuelan central bank

MR HERNAN ANZOLA
JIMENEZ, formerly Minister for
State Companies, bas been appointed as president of the Central Bank of Veneznela.

Mr Anzola, who also served the current administration as Vice Winister of Energy and control and maintained monetary growth within strict limits.

Mr Losada's term turned out to be less than the normal five-year period, was made by President Jaime Lusinchi.

This change does not signal in 1984 to replace Mr Leopoldo Diaz Bruzual, the head of the

Mr Anzola, who also served the current administration as Vice Minister of Energy and Mines and a board member at the Central Bank, replaces Mr Benito Raul Losada, who bas been president of the bank since 1970s, received high praise from banker here for his work at the central banker here for his work at the central bank presidency during the property took.

year period since he was appointed by President Lusinchi in 1984 to replace Mr Leopoldo Diaz Bruzual, the head of the institution at that time.

Mines and a board member at the Central Bank, replaces Mr Benito Raul Losada, who bas been president of the bank since the current government took office in early 1984.

Mr Anzola is viewed here as one of the brightest and most

Lossda, a former Minister of institution at that time.

Mr Bruzuel, a blighty controversial figure who once suggested that Venezuelans move their that Venezuelans move their that Venezuelans move their money ebroad, was unacceptable to the present government and the international public was viewed as unstable by the international banking community, the JWT Group of the US,

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And it won't be put on.

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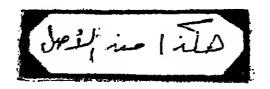
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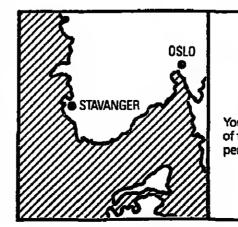
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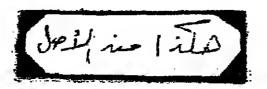
or Marianne Hoffmann Narvesen AS Oslo Norway Tel:(2)684020

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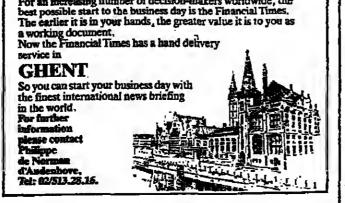


NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES Closing prices

NYSE COMPOSITE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES Closing prices August 1
25° 22° Perig p4.32° 43. 18° 34°, 39°, 34° 45°, 27°, 37°, 47°, 47°, 47°, 47°, 47°, 47°, 47°, 4	Suck Dr. E 105s High Law Class Diego North 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	The countries
For an increasing number of decision-makers worldwide, the best possible start to the business day is the Financial Times. The earlier it is in your hands, the greater value it is to you as a working document. Now the Financial Times has a hand delivery service in BRUSSELS So you can start your business day with the finest international news briefing in the world. For farther information please courtest Philippe de Norman (Andenhove, Tel: 02/513.28.16.)	COR 91 8 59 54 Exolas 517 29 27.16 29.4 1.16 July 60 184 114 114 14 14 15 Cortists 30 64 59 59 69 184 114 184 14 14 14 14 14 15 Cortists 30 64 59 59 69 184 114 184 144 184 184 184 184 184 184





FOREIGN EXCHANGES

that a group of only losely con-nected currencies came under pressure last week but it will

be remembered as an unit for-table period for many of the

currencies of the English speak-

The US dollar fell to new lows; sterling touched a record low against the D-Mark; the Australian and New Zealand dollars came under pressure;

and the South African rand suffered from expectations of economic sanctions.

The US dollar fell to the lowest level since March 1981

against the D-Mark, to a record low against the yen; to the lowest since October 1980 in terms of the Swiss franc; and approached a five-year low against the French franc.

A combination of comments by US officials and weak economic data depressed the dollar. Mr Paul Volcker, chair-

Sterling...
U.6. Dollor ...
Canadian Oollar ...
Austrian Schilling Boiglen Franc...
Danish Kronor ...
Ooutsche Mark...
Swiss Franc...
Outsder
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Selgian Frenc ... Danish Kreno ... German O-merk

MONEY MARKETS

LONDON interest rates made several attempts to move lower

lest week. A slight increase in optimism pulled the three-month interbank offered rate be-

low 10 per cent on the morn-ings of Thursday and Friday, but the performance of sterling did not allow the market to sus-

tain its mood, and the rate finished back at 10 per cent each night, unchanged on the week.

The optimism centred on the possibility of cuts in world in-

terest rates, after some disappointing US economic statistics, which did not rule out another cut in the Federal Re-

71.7 111.9 78.0 129.8 85.9 87.3 138.3 169.3 98.4 47.3 919.1

IT WAS probably coincidental £ IN NEW YORK

CURRENCY MOVEMENTS OTHER CURRENCIES

POUND SPOT-FORWARD AGAINST POUND

FORWARD RATES AGAINST STERLING

3.0950 12.0750 2.4800 228.50

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment colculated by Financial Times

other cut in the Federal Reserves discount rate at some from the Confederation of time in the not too distant British Industry could not confuture. It was also rumoured that the July UK money supply could withstand an early cut in

WEEKLY CHANGE IN WORLD INTEREST RATES

FRANKFURT

UK clearing bank base lending rate 10 per cent since May 22

figures will be a considerable improvement nver recent months.

tions and to some uncertainty about the political climate, par-ticularly with regard to South Africa and the thorny problem

The English connection

Close Prev. close

Spot 181.4770-1.4789.81.4955-1.4884 month 0.46-0.45 pm 0.44-0.43 pm months 1.30-1.97 pm 1.27-1.95 pm months 4.58-4.48 pm 4.45-4.55 pm

contrast between the performance of the US on one side and Japan and West Germany on the other. The US deficit has shown no sign of improving after nearly a year of steady dollar depreciation. The June sbortfall of \$14.17bn was little different from May. On the other hand Japan produced a trade surplus for the same month of \$7.81bn and West Germany had a June surplus of \$4.7bn.

\$4.7bn. Sterung moved down with the

doller, and the pound's stability ogeinst the US currency pre-vented any panic in London's finencial merkets. Threats of

dollar. Mr Psul Volcker, chairman of the Federal Reserve
Board stressed the importance
of improving the US trade
balance, in giving testimony
before a Congressional commonwealth and
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before a Congressional commonwealth and
balance, in gedicum trate was increased to
18 per cent, after the Australian
dollar had fallen to almost 59

Cealand Government's Budget
for 1986-87 was generally as
expected and fairly
expected but with inflation
still high at 10 per cent,
the belief of the Commonwealth and
d

AKTIEBOLAGET VOLVO

U.S. \$35,000,000 8 per cent. Bonds due 1st March, 1987

NOTICE IS HEREBY GIVEN that pursuant to Condition S(b) of the Terms and Conditions of this above Bonds, the Company has elected to redeen all such Bonds at par. The date fixed for redemption is 5th September, 1966. The Bondswijf accrue interest until 5th September, 1986 and the resiter the Bonds will cause to accrue st. The Bonds will be redeemed upon presentation and surrender togeth with all coupons majuring after 1st March, 1986 at the office of the Paying Agent listed below. The coupons for interest due on or before 1st March, 1985 should be

Société Générale de Banque SA 3 Montagne du Part 1000 BRUSSELS Bank of America NT & SA 25 Cannon Street LONDO N EC4

43 Soulevand Royal
LUXEMBOURG LUXEMBOURG

S-103 26 STOCKHOLM SWEDEN

Withholding of 20 per cent of gross redemption pro within the United States is required under United States Federal income tax law unless tha United States Paying Agent has the correct tax payer ident number (social security number or employer identification

BANKAMERICA INTERNATIONAL, NEW YORK

Dated August 4, 1986

THE BANK OF NOVA SCOTIA



(A Canadian Chartered Bank) £100,000,000

Floating Rate Debentures 2000 Issus Price 100.10 per cent.

For the three months 31st July, 1986 to 31st October, 1986 the Debentures will bear an interest rate of 10.10% per annum and the coupon amount per £10,000 denomination will be £254.58.

Agent Bank Samuel Montagu & Co. Limited . . .



The Australian Industry Development Corporation

(A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia) U.S. \$100,000,000

11% PER CENT. NOTES DUE 1990 NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(b) of the Noies, the Corporation will redeem on September 2, 1986 US\$14,000,000 principal amount of the said Notes. A further notice specifying the serial numbers of the Notes called for redemption will be published. Currently outstanding US\$31,000,000.

August 4, 1986 By Citibank, N.A. (CSSI Dept.) London Fiscal Agent

CITIBANG

July, 1986

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A STORY

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LIFFE LONG GILT FUTURES DETIONS 0.90 2.45 4.80 8.20 Calls—Last
Sept Oct Dec
19.80 — 19.80
9.40 9.80 10.15
5.20 5.75 5.90
2.35 3.10 4.15
0.30 1.40 2.40
0.30 — 1.35
0.20 — 0.70 Calls—Last
Au0 9spt Bec Mar
— 17.15 17.25 —
— 12.15 12.15 12.35
— 7.25 8.20 9.00
2.95 3.40 5.20 5.10
0.50 1.65 2.55 4.10
0.05 0.35 1.65 2.65
— 0.15 0.85 1.63
us day's open int. Calls 1,
us day's volume. Calls 1, Sept 0.00 0.00 0.00 0.01 0.04 0.12 0.26 LONDON 20-YEAR 12% NOTIONAL GILT E50,000 32nds of 100% 97-28 97-28 97-00 98-05 95-10 94-17 93-26 93-06 92-19 E50,000 32nds of 100%

Close High Low Prev
Sept 179-18 120-15 119-19 120-09
Dec 179-15 118-29 119-29 120-05
March 119-09 — 119-37
June 119-09 — 119-37
June 119-09 — 119-37
Est. volume 7230 (7954)
Previous day's apen int. 13501 (13953)
Basis quote (clear cash price of 13%
Tressury 2004-08 less equivalent price of near futures contract) —4 to 4 (32nds). UR TREASURY SUNDS S% \$100,000 32nds of 100% Closs High Low 97-18 98-16 87-15 9 96-28 97-18 97-00 9 90kums 77 (77) sus day's open int. 7? (7784) High Low Prev 98-15 87-15 97-15 97-18 97-00 96-24 CERT. DEPOSIT (IMM) \$1m points of 100% 10% NOTIONAL SHORT GILT £100,000 B4ths of 100% CHICAGO US TREASURY BILLS (FMM) **CURRENCY FUTURES** POUND-\$ (FOREIGN EXCHANGE) Close High Low Pre
94.44 94.52 94.39 94.4
Dec 94.54 94.51 94.49 94.5
Mar 94.99 94.54 94.43 94.4
June 94.31 94.05 94.07 94.1
Bept 84.10 94.08 94.07 94.1
Dec 93.88 93.98 93.98 93.98
Mar 93.67 93.66 93.63 93.6
THREE-MONTH EURODOLLAR (IMM)
Sim points of 100% spot 1-mth, 3-mth, 6-mth, 12-mth 1.4855 1.4811 1.4728 1.4608 1.4408 Hreh 93.84 93.65 93.54 83.24 93.07 92.79 92.55 82.29 93.51 93.50 93.41 93.21 92.96 92.68 92.42 92.16 93.57 93.58 93.48 93.02 92.76 92.51 92.26 LIFFE-STERLING £25,000 \$ iper £ | Close High Low Previous Clos

EXCHANGE CROSS RATES

0.323 0.480 1. 4.276 6.501 13.54

NEW ISSUE

£ | 5 | 0M | YEN | F.Fr. | 8Fr. | H.Fl. | Lira | C8 | B.Fr.

1. 1.486 3.095 298.5 10.08 2.480 3.490 2198 2.048 64.10 0.673 1. 2.084 163.6 9.783 1.668 2.380 1431, 1.379 43.16

0.093 1.474 3.079 296.8 13. 2.459 3.464 8110. 2.033 53.99 0.403 0.599 1.248 92.14 4.063 1. 1.407 657.2 0.696 25.85

C 8 0,488 0,728 1,511 111,3 4,918 1,911 1,704 1038 1, 31,80 B Fr. 1,560 9,317 4,999 366,5 16,79 3,869 9,446 3315, 3,196 100

Yen per 1,000; French Fr per 12; Ura per 1,000; Belg Fr per 100.

73.83 5.255 0.801 1,196 686.8 0.659 20.71 1000, 44,09 10,86 15,27 2503, 8,966 380,5

1,2064 0,80920 Close High Low Proceedings of 152,40 158.45 157.90 158.45 157.90 161.75 — 163.75 — 163.45 157.90 163.75 — 163.45 157.90 163.75 — 163.45 157.90 169.45 DOLLAR SPOT-FORWARD AGAINST DOLLAR

CURRENCIES, MONEY and CAPITAL MARKETS

talked all week in Geneva about

oil production quota cuts, but did not seem to have found 9 satisfactory formula Japanese institutional investors

Japanese institutional investors were reported to be besvy sellers of the Australian dollar last week. This kept downward pressure on the currency in spite of attempts by the Government in Canberra to reverse the trend, and a sharp rise in interest rates. The Australian dollar fell to a record low of 57.15 US cents on Monday but recovered to above 61 cents after intervention by the Australian Reserve Bank and after government moves to relax foreign investment rules and the scrapping of regulations imposing 8 withholding tax on interest paid by Australian borrowers on foreign markets. The Reserve Bank raised its rediscount rate to 16 per cent from 14.6 per

to 16 per cent from 14.6 per cent, but the respite for the Australian currency was tempor

ary. Japanese sources continued to sell, and on Friday the

CURRENCY RATES

| 1.4815-1.4836 | 1.4850-1.4860 | 0.48-0.436 pm | 3.59 | 1.30-1.25 pm | 3.40 | 1.4110-1.4225 | 1.4175-1.4185 | 0.75-0.500 pm | 5.79 | 2.00-1.60 pm | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5.79 | 5. Close One month

August 1	Short	7 Days notice	Month	Three Months	Six Months	One Year
Sterling U.S. Doller Can Doller I Guilder Sw. Franc O eutschmrk Fr. Franc Italian Lira	054 10 556-612 754-8 556-574 912-254 411-413 7-758 10-11	978-10 6-3-6-5 754-8 512-554 912-854 4-8-414 7-1-7-1-1	913-10 656-91g 8-814 6-3-51g 4-3-41g 71g-714 105g-1118	8 10 6 36 6 14 6 36 36 6 36 36 6 36 4 36 4 36 4 36 7 36 7 36 10 36 11 36	913-913 559-534 57-534 67-54 413-414 714-748 11-1138	978-918 519-858 934-9 538-518 478-418 458-434 778-776 11-116
a. Fr.(Fin) a. Fr.(Con) Yon D. Krone Asian \$ (Sng)	7.74 7.74 S.4-61 94-93 64-64	71e-72e 67e-73e 412-47e 91e-95e 53e-61e	71s-75s 7-71g 454 4+3 954-1014 959-61g	713-715 718-768 454-413 954-1014 638-612	714-716 718-756 411-4 34 958-1014 958-612	714-719 718-758 418-434 018-108 6-8-6-8

This announcement appears as a matter of record only.



REPUBLIC OF PORTUGAL JAPANESE YEN BONDS - FIRST SERIES (1986) 20,000,000,000 Yen 6.5% Bonds due 1996

Daiwa Securities Co. Ltd.

The Nikko Securities Co., Ltd.

The Nomura Securities Co., Ltd.

Yamaichi Securities Company, Limited

New Japan Securities Co., Ltd.

The Nippon Kangyo Kakumaru Securities Co., Ltd. Dai-ichi Securities Co., Ltd.

Cosmo Securities Co., Ltd.

Chiyoda Securities Co., Ltd.

Utsumiya Securities Co., Ltd.

The Tachibana Securities Co., Ltd.

Mito Securities Co., Ltd.

Daitô Securities Co., Ltd.

Okatoku Securities Co., Ltd.

Yamamaru Securities Co., Ltd.

Sanyo Securities Co., Ltd. Wako Securities Co., Ltd.

Okasan Securities Co., Ltd.

Kokusai Securities Co., Ltd. Taiheiyo Securities Co., Ltd. Merrill Lynch Securities Company,

Universal Securities Co., Ltd.

Tokyo Securities Co., Ltd. Yamatane Securities Co., Ltd. S.G. Warburg Rowe and Pitman, Akroyd (Japan) Inc., Smith Barney, Harris Upham International Incorporated,

Kleinwort Benson International Incorporated, Marusan Securities Co., Ltd Toyo Securities Co., Ltd. Schroder Securities (Japan) Limited,

Hinode Securities Co., Ltd. Meike Securities Co., Ltd. Towa Securities Co., Ltd. Vickers da Costa Ltd.,

Ichiyoshi Securitias Co., Ltd.

The Sinyei Ishino Securities Company, Limited Nichiei Securities Co., Ltd.

Kosei Securities Co., Ltd.

Naigai Securities Co., Ltd. Chuo Securities Co., Ltd.

Hiraoka Securities Co., Ltd. Ryoko Securities Co., Ltd.

The Izumi Securitias Co., Ltd. The Nippon Securities Co., Ltd. Kyoritsu Securitics Co., Ltd.

Jardine Fleming (Securities) Ltd.,

Maruman Securities Co., Ltd.

National Securities Co., Ltd.

Kyokuto Securities Co., Ltd.

Itogin Securities Co., Ltd. Imagawa Securities Co., Ltd. EBC Amro Bank Limited

Netwest Investment Bank Limited

Swiss Bank Corporation International Limited

Manufacturers Hanover Limited

MONEY RATES

,g	Ov'r-nig't				, Months	lu,A.fi.
Frankfurt	4,50 4.55	4,58-4.10	4.65-4.70	4,55-4.70	4,554,70	5,5
Paris	. 7	749.74	714-714	719 714	716-74	7
Zurich	7g-11g	44446		424.	_	_
Amsterdam	Ste-6-4	656654	i —	5 to 5 to 5	! — '	-
Tokyo.	4.53125		I —	4.71875	i —	
Milan	1 (% 12 ta	1136-1134		1150 1154	!	-
Erussois	4.90	74.74		76-75	- '	
Dubtin	9-56-934	10-2-10-8	1056-1016	10% 11	10tg-111g	
			-			

NEW YORK RATES A flicker of optimism (4 pm) clearing bank base rates, in spite of the CBI highlighting the fact that rates are still very high by international standards. Another factor pointing to-wards a period of continued stability in rates was tha obvious reluctance of the West But overbanging the market was the weakness of sterling, as the pound continued to reart nervnusly to oil price fluctua-German Bundesbank to cut its discount rate, against a background of above target money

BANK OF	ENGL	ND TI	REASURY BI	LL TE	NDER
	Aug. 1	July 18		Aug. 1	July 18
allis on offer Total of applications	£100m	£100m	Top Accepted rate of discount.:	_	0.6464%
Total allocated Minimum accepted bid	£100m	e100m £97.595	rate of discount	9,6091% 9,75%	9,5836%
Allotment at minimum fever	i '	34%	at next tender	<i>2</i> 100m	£100m

Minimum accepted bid £97.65 Aliotment at minimum fevas 80%	£97,595	Average yisid	9,75%	9,36% £100m
FT LONDON INTE	RBANK	FIXING	_	
(11,00 a.m. August 1	•	Six month	U9 dolla	FØ
Three months US dolla	H4 5 2	080	0.2	

	m. August 1)	SIX MONTHS UP dollars					
inree mon	he US dollars	bld 5 A	Offer 0 &				
bid 5 th	Offer 0 15		1				
meens, rounded sixteenth, of the last \$10m quoted 1	ors the erithmede to the nearest one- bid and offered rates by the market to five	stor 9ank, Sank of Tokyo, Osus Rank, Sangua Mationala da Parie					
LONDON M	ONEY RATES						

Storling CDa. S-11 S7g-10 S7g-10 S7g-10 S1g-913 S1g-917 Storling CDa. Storli	August 1	Over night	7 daye notice	Month	Three Months	Six Mantha	One Year
	Storling CDa	056-10 812-978 934-1014 	85g-07g 97g-948 1014	915-10 076-915 10-15 034 10-1018 916 014 10-15 10-15 0-16 10-15 0-16 0-16	914-918 878-10 1014 10 914 10 918 956 956 1014 6.85-6,46 518-658	8¼-8½ 8½-9½ 10¼ 10 9½ 10 9½ 10½ 6.40-6.48	934-976 813-10 1014 — — — 913 5.40-6.45

Tressury Sills (ast): ans manth 922 per cent; three manths 812 per cent.
Bank 9ills (sell): one month 925 per cent; three months \$100 per cent. Tressury
9ills: Averege render rate et discaunt 8.5021 par cent. ECGO Fixed Finance 8chama IV reference date June 4 to July 1 (inclusive): 5.824 par cent. Local
Authority and Finance Houses seven days' notice, athere seven days' fixed.
Finance Houses Sass Rate 10 per cent from August 1, 1988, Senk Osposit Rates for sums at seven days' natice 4.35-4.375 per cent. Cartificates at Tax Osposit
(Series 6): Deposit £100,000 and over held under one month 10 per cent: one-
three manths 10 per cent; three-sis manths 10 per cent; six-nins months 10 per
cent: nine-12 months 10 per cent. Under C100,000 10 per cent from July 18.